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1	<p>If you make your own crypto currencies and regulate it in india who will Mine those crypto? And what will be the acceptance of those crypto? Nothing!! And if you plan something like XRP then there will be no Value. When 50% of the world is into crypto is't it better to regulate and use the infrastructure other countries have built to use it regulate? Crypto can now be traced FBI has a software made for it, Australia has laws that exchanges have to report suspicious transaction. You cannot have control over the whole data like china does! We are a democracy please don't forget! But yes regulating exchanges will definitely help reducing the issues you have. ICOs and Fund raising can be monitored and should be kept a close eye on. ICOs are another way of funding for good projects which cannot raise funds in the stock market. CrowdFunding is the future, and This technology is the Key to it. Why ban and go 10 years back in time? Our country has always been ignorant on new tech. If you guys need any help in understanding crypto or it's technology i would be happy to help but banning the mainstream crypto and releasing govt backed crypto will be a disastrous failure. Look at Petro Coin by the Venezuela's President Maduro, it failed despite being backed by OIL which is the HolyGrail of assets. Bitcoin, Ethereum and other crypto are into existence and in use because "NO ONE OWNS THEM" if it had been owned by the US govt it wold never become this famous and in use. So if you make your own crypto and regulate it into the market it will be a total failure and a point to make fun of our country from the crypto community around the world. Think about all these points and then decide something.</p>

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2	<p>I must first congratulate you for taking such a much-awaited step for issuing guidelines for enabling setting up of a Regulatory Sandbox in India. I, as a citizen of India, understand that the guidelines be published without any delay to enable the FinTech environment to flourish in India.</p> <p>I also humbly suggest that the enabling provisions should not impose restriction related to "net worth" of an entity proposing to participate in the sandbox. In fact, emphasis should be to gather as much as possible clearly validate ideas that could be put into action within a period of 1 (one) year.</p> <p>Otherwise, these guidelines would be supporting only those who are mighty and strong in which case a good idea would be lost and the end consumer shall be the sufferer.</p> <p>Secondly, privacy of a consumer should also be protected and therefore, his consent to participate in the Regulatory Sandbox should be obtained before he is made part of the sandbox.</p> <p>I herein below set out specific legal challenges that may impact the decision of a Start-up to participate in the Regulatory Sandbox.</p> <p>Point No. 1</p> <p>Restrict Open Ended Liability: An open-ended liability of a Start-Up in case there is a default or something goes wrong is unlimited. In the case of product liability claims, the defense is that the producer of goods has taken reasonable care while manufacturing. In a sandbox, there won't be any proven products and no measure to determine whether reasonable care is taken or not. Therefore, high exposure and hence, RBI should provide an umbrella to the start-up and promoters.</p> <p>Point No. 2</p> <p>Call for a Consent from Customer Consent of a customer to be part of the sandbox is imperative and should be made a necessary condition; such consent would help reduce the liability in case of default.</p>



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	<p>Point No. 3</p> <p>Heightened Data Privacy Currently, Financial Institutions are not permitted to share their data with third parties. It would be imperative for start-ups to use the data sets for testing or products and to run a proof of concept. RBI should allow limited data sharing for a limited purpose. By way of a third party certificate, the Finance Institutions should ensure that privacy is built in the system by design.</p> <p>Point 4</p> <p>Prescribe Security Standards Standard of security should be announced as this would limit the liability of a Start-Up.</p> <p>Point 5</p> <p>Control Business Continuity Risk RBI should also clarify whether business continuity risk has to be addressed or not. Moreover, if it has to be addressed than in that case what is a reasonable standard it should undertake?</p> <p>Point 6</p> <p>Entry Barrier The requirement to have Net Worth of INR 50 lacs, proof of concept and technological for broader deployment would act as an entry barrier. If an idea is validated, the chance should be given to be part of the regulatory sandbox so that benefits could be passed on to the consumers. Other elements could be gathered over a period of 1 (one) year of Regulatory Sandbox with the support of the bank who would run the said Regulatory Sandbox.</p>
3	<p>At the outset, thank you for inviting the comments from all the stakeholders on the draft enabling framework issued by RBI for Regulatory Sandbox. We are pleased to submit our attached feedback note on the draft framework.</p>
	<p>We request RBI to consider our suggestions and comments included in the attached representation note while finalising the framework on RS. We will be happy to meet and further share the details/clarifications, as needed on our comments.</p> <p>The Reserve Bank of India (RBI) released a draft on enabling</p>

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	<p>framework for Regulatory Sandbox on 18 April 2019 seeking comments of the concerned stakeholders on the contours of the proposed enabling framework for regulatory sandbox in India. We are pleased to submit our response on the draft enabling framework for regulatory sandbox in India:</p> <p>I. Background</p> <p>The introduction of the Regulatory Sandbox will provide a platform and secured space for technology-led and FinTech organizations to innovate and test ideas and will bring different stakeholders on a regulated platform. Such regulator-aided innovation in the financial services space will help organizations work on ideas in a secure and controlled environment and will encourage innovation in the areas where there is an absence of governing regulations or a need to ease regulations temporarily. It will also create the possibility of being able to address or find solutions to the fringe cases from a regulatory standpoint for financial services by allowing organizations to work in a defined environment. Further, it will provide greater flexibility to the organizations to execute their innovative ideas which otherwise might not be able to see the light of day due to the constrained regulatory environment.</p> <p>II. Our specific comments/ feedback on the draft framework released by the RBI are as follows-</p> <p>a) Regulatory Sandbox: Risks and Limitations (para 4 of the draft framework)</p> <p>Our Comments:</p> <p>In terms of development in the financial sector, in the past few years, it has been observed that FinTech led products and services are changing the landscape by enabling access to financial products and services to a wider audience. Considering this aspect, the draft highlights risks and limitations associated with the regulatory sandbox as well.</p>



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	<p>However, we believe that there could be more points addressing risks and limitations which need attention when RS comes into existence as a platform. The applicants will come to the RS platform with new innovative ideas and the same will then be exposed to a wider range of stakeholders. It is, therefore of paramount importance that their intellectual property rights are kept secure and safe so that they are not reluctant to be part of the RS process. One of the concerns could be that when applicants bring their solutions to the RS platform, there will be big players in the market which might replicate the concept at much faster pace and bring the product to the customers before the applicant can actually complete the RS process and launch the product in the market. Therefore, suitable confidentiality agreement and non-disclosure clauses might need to be put in place for the all stakeholders. To illustrate the above stated point in detail we would like to site a hypothetical example, suppose an applicant becomes part of the RS process and there are other stakeholders involved in executing the idea, like banks, who have better funds and resources as compared to a start-up, will have the option to replicate the idea at a much faster pace. Therefore, we believe that the RS guidelines should protect the intellectual property rights of the applicants by means of confidentiality agreement and non-disclosure agreement to be signed between the applicant and relevant stakeholders getting involved in the process and a suitable direction or instructions from RBI on these aspects will enhance confidence of the fintech entities for going through the RS process.</p> <p>b) Regulatory Sandbox: Eligibility Criteria for Participating in the Sandbox (para 5 of the draft framework)</p> <p>Our Comments:</p> <p>The draft focuses and encourages on the areas where there is absence in governing regulations, or there is requirement to ease regulations and foster innovation, and promises the ease of delivery of financial services to the customers. One of the stated objectives of</p>

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	<p>the RS platform is to foster financial inclusion and make financial services accessible to all. Given that innovation can be delivered not just by “start-ups” or the incumbents, it is critical for any RS platform therefore to focus on the merits and demerits of the solution and not focus purely on the category of eligible applicants. The eligibility criteria in RS guidelines states that the platform is available to start-ups, as defined in law, only, which in turn defines the target applicants as entities which are not older than 7 years and their turnover has not exceeded INR 25 crore. Also, there is a requirement to have a net worth of INR 50 lakh for applying to the process. Essentially, this excludes two larger segments of the innovators on both sides, one being very new age start-up companies which do not have required capital and on the other side big organizations which have turnover more than INR 25 crore. Hence, innovations brought to the market by such entities will not be entertained on the RS platform, which in turn may end up countering one of the key purposes of the sandbox i.e. to provide access to financial services. To cite global examples pertaining to the above stated suggestion like Financial Conduct Authority of the UK where eligibility criteria is primarily focused on the idea and what impact does it provide to the society in large rather than limiting entrants with capital requirement. This will definitely provide a larger pool of aspirants who have idea and want to become part of the RS, and we, therefore, request RBI to extend the eligibility criteria to all organisations, while finalising the RS framework.</p> <p>c) Design Aspects of the Regulatory Sandbox (para 6 of the draft framework)</p> <p>Our Comments:</p> <p>i) The draft RS guidelines have put out a list of positive and negative areas where sandbox entities can/cannot operate and provide their solution in the space of financial inclusion. One of the areas excluded from scope of RS (negative list) is credit information. Considering the recent trends, alternative credit scoring has become a potential tool</p>



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	<p>in analysing the credit behaviour of the borrowers and providing instant loans. The lending industry has witnessed smart and innovative alternative credit scoring models being adopted by large and small organisations and these innovations will continue to happen in making the scoring models more and more effective. RBI may accordingly consider including the 'credit information' area as part of the positive list to foster innovations in this space.</p> <p>ii) Also, it would be helpful to all stakeholders if there is a clear mechanism mandated by the RBI on the communication to the end-customers who are going to be reached out to consume the products regarding the nature of the test program and recognition from the end-customers that they understand the risks involved.</p> <p>III. Conclusion</p> <p>Introducing the enabling framework for a regulatory sandbox is a welcome move by RBI as it will help in fostering innovation in the financial services space on a platform where all stakeholders can participate and provide their valuable feedback to the applicants for further improvement. One of the added benefits for the entities undergoing this process shall be to get upfront regulatory certainty on certain products where there are no regulations or have ambiguity in interpretation of existing regulations.</p> <p>We request RBI to consider our above suggestions and comments while finalising the framework on RS.</p>

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4	<p>Sub: DEFFICIENCIES OBSERVED IN OPERATIONAL INSTRUCTIONS GOVERNING MONEY CHANGING ACTIVITIES &amp; SUGGESTIONS TO THE FOREIGN EXCHANGE DEPARTMENT (FED) OF THE RBI FOR STREAMLINING THE SAME AND EASE COMPLIANCE FOR AUTHORISED MONEY CHANGERS (FFMC / AD CATEGORY-II).</p> <p>We would like to bring to your kind notice that certain Operational Instructions contained in the Master Direction – Money Changing Activities, might be restricting the transition of our industry to a Digital model and greater use of Forex Cards, and instead promoting unrecorded usage of cash in payments and increased sales of Currency Notes – contrary to Government objectives of Digitisation, Transparency and Elimination of black money.</p>



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	<p>The 'Memorandum of Instructions Governing Money Changing Activities' were first outlined under the Foreign Exchange Regulation Act (FERA) 1974, and later carried forward mostly unchanged under the Foreign Exchange Management Act (FEMA) 1999 to regulate traditional retail foreign exchange activity which was predominantly conducted in cash, cheque &amp; DD for transacting of foreign currency notes &amp; travellers cheques.</p> <p>Since then preferred payment options have evolved to become digital like NEFT/RTGS/IMPS/UPI &amp; through online payment gateways by Credit/Debit card &amp; Net-banking, and newer technologies like the Prepaid Forex Card have emerged, but relevant regulations have not kept pace.</p> <p>And where Fintech's like us have tried to adopt these new developments in our business-model to improve on traditional industry practices, we have faced numerous hurdles in implementation in trying to operate an Online model within the boundaries of regulations which were conceived to govern Offline processes.</p> <p>More specifically, please find below the issues requiring attention and updating of regulations:</p> <p>1. Avenues for misuse of KYC: Regulations state that an 'in-person' KYC of the client must be conducted by a 'competent' person. However, wordings in the relevant guidelines state that: 'The Reserve Bank will not generally, prescribe the documents which should be verified by the Authorised Money Changers (AMCs) while releasing foreign exchange'</p> <p>Over time, to identify the genuineness of the foreign traveler, this has come to be interpreted as verification of Original (OSV) Passport, Ticket &amp; Visa for the country of travel. And now money-changers collect PAN Card too.</p> <p>But these hard-copies of documents can be misused by reusing them for bogus transactions. A better KYC regimen can mandate a</p>

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	<p>time/date stamped photograph also being taken of the client as part of the KYC process and digitization of documents so they cannot be tampered with. Apps are available for this, which we would like to test.</p> <p>2. Payment identification: One of the guidelines mandates that Payment needs to be received from the traveler or a close relative. RBI Guidelines do not even state as to who constitutes a close relative, and one needs to refer to the Companies act for this. This is difficult to monitor in practice or in real-time since Payment Gateways are unable to capture this data, causing inconvenience to clients and making compliance difficult for agents. This is the single guideline in our industry responsible for driving agents to do unrecorded transactions, counter to the objectives of regulations in the first place to make all transactions accounted.</p> <p>As long as it is an account-to-account payment, it should not matter who pays for forex since the funds are taxed &amp; traceable. This will discourage cash transactions.</p> <p>3. Basic Travel Quota for sale of forex now falls under the overall LRS (Liberalised Remittance Scheme) limits, however FFMC category money-changers are restricted from selling forex to Students for fee-payment at foreign universities or Reload forex cards issued to students for Maintenance purpose, which is illogical.</p> <p>If FFMCs are authorized to deal in forex, they should be allowed to issue forex for all categories and purposes. Remittances is anyway additionally reserved for AD2 category.</p> <p>Digital Forex Cards must be promoted over Currency notes – banks who are the issuers of cards are hesitant to appoint agents for distribution since it is difficult to monitor compliance of the above guidelines – leading to transactions being done in cash, which has a negative AML impact. And the corresponding increase in usage of foreign currency notes has extremely negative FATF impact.</p>



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	<p>(a) As per point 6.3 of the Regulatory Sandbox guidelines, we propose to demonstrate how our technology can be more gainfully applied in order to better comply with RBI guidelines.</p> <p>(b) Our proposed solution aims to plug loopholes in the Foreign Exchange ecosystem, make it easier for consumers to transact, and enable better compliance by industry participants (6.5.2).</p> <p>(c) To enable greater Digitisation of Forex transactions, appropriate guidelines need to be revised to take into account current improvements in technology and enable adoption of the same (6.5.3)</p> <p>Banks do not have any such restrictions when Credit &amp; Debit cards are used for Forex transactions. Forex Cards should also be treated on-par.</p> <p>The added advantage for travelers is that usage of a Forex Card is cheaper (it can be issued at an average margin of just 1% on Inter-bank rates (IBR), as opposed to Credit/Debit card spends abroad which can cost the user anywhere upto 10% over IBR), and effect of fraud is minimized as exposure is limited to just the funds loaded onto the forex card. Also, purchasing currency at Airports is now prohibitively expensive as rates there are maintained at around 16-18% above IBR. Wider access to and usage of forex cards should therefore be ensured &amp; encouraged.</p> <p>In the current regulatory scenario, every Govt. objective like promotion of MSME enterprises, digitization of transactions, removal of black-money from the system, etc., are being undermined in the forex space as most are being forced to deviate in order to remain competitive as they are unable to comply due to contradictory regulations.</p> <p>We are a startup recognised by the DIPP.</p>

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5	<p>We have been reviewing the draft enabling framework that was released on 18 April 2019 [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>However, there are regulations that currently prevent or are absent in some aspects of these undertakings. Such as:</p> <ol style="list-style-type: none"> <li>1. Recognition of DLT registered securities as a ("transparent" &amp; "dematerialized") asset class and the applicable license regime for issuance and trading of such assets</li> <li>2. Investing in equity of privately held companies is illegal for retail investors (equity crowdfunding)</li> </ol> <p>Our queries regarding the current sandbox are as follows:</p> <ol style="list-style-type: none"> <li>1. Eligibility to participate in the sandbox <ol style="list-style-type: none"> <li>a. Page 6, section 1 says:  <a href="https://dipp.gov.in/sites/default/files/Startup_Notification11April2018_0.pdf">https://dipp.gov.in/sites/default/files/Startup_Notification11April2018_0.pdf</a>  "Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'." Would the company be eligible if it is, <ol style="list-style-type: none"> <li>i. A wholly owned Indian subsidiary of a soon-to-be-incorporated EU based company (so not an existing business)?</li> <li>ii. Or would it need to an independent Indian company without a foreign corporate shareholder?</li> </ol> </li> <li>b. Does the technology need to be built in-house or can licensing the tech from a third party company still qualify as "innovative" enough?</li> </ol> </li> </ol>



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	<p>We would argue that we are providing innovative services locally using a combination of newer technology licensed from third parties.</p> <ol style="list-style-type: none"> <li>1. Timing of application and post-sandbox business continuation <ol style="list-style-type: none"> <li>a. When would RBI consider allowing companies to apply to the sandbox? If the concrete dates not finalized, it would be helpful to the best estimated time frame wherein RBI will accept applications?</li> <li>b. What happens after the sandbox testing is over and the results are considered as successful, will the service be then allowed to operate fully with the same freedom as they had during the sandbox</li> </ol> </li> <li>1. Clarifications on the terms used <ol style="list-style-type: none"> <li>a. In section 6.3, it is mentioned that crypto asset services are to be excluded from the sandbox. However, in some international jurisdictions concepts of security tokens are being recognized where the economic benefits related to an underlying regulated asset/security is "tokenized" (e.g. dividends/profits but not voting rights) in compliance with current regulations codified in "smart contracts". Can we confirm that such security tokens are not considered as crypto assets or crypto asset services and hence shall be eligible for the RBI sandbox?</li> <li>b. If crypto assets services are excluded, are we still allowed to use public/permissionless blockchains (e.g. Ethereum, Stellar etc) for tokenizing regulated securities (so not using the crypto currency related aspects of the blockchain). However, to run services on such blockchains it is required to purchase cryptocurrencies to pay for the usage (mining fee/"gas"). Can we still be allowed to use a public blockchain without offering any crypto asset services to users/customers?</li> </ol> </li> <li>1. Regulatory bodies involved in the sandbox: <ol style="list-style-type: none"> <li>a. Some of the regulations that are being touched involve SEBI, are they also part of this sandbox and consider "light-touch" regulation of certain aspects of the proposed innovative services?</li> </ol> </li> <li>1. Criteria for success:</li> </ol>



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	<p>a. Will there be some more objective criteria for testing the innovative service that will be published publicly or will it be determined purely on a case-by-case basis and known only after entering the sandbox Looking forward to hearing back from you on any further clarifications required and the next steps.</p>
6	<p>This is with reference to the draft guidelines issued by RBI for an 'Enabling Framework for Regulatory Sandbox' for Fintechs.</p> <p>Entity 6 welcomes this progressive move by the RBI as it would set a firm stage for Fintechs exploring innovative products and would help in sustaining innovation in financial products and services.</p> <p>Following the issuance of the draft guidelines, we had circulated the same amongst our members and stakeholders in the Fintech ecosystem and basis the feedback and suggestions received, we have put together a brief note. The same is being attached along with this email for your reference and kind consideration.</p> <p><b>RBI's 'Draft Enabling Framework for Regulatory Sandbox'</b></p> <p>Entity 6 welcomes the RBI's Draft Enabling Framework for Regulatory Sandbox (RS) as it would set a firm stage for Fintechs exploring innovative products and would help in sustaining innovation in financial products. It is bound to reduce the number of failures, bring customer centric products to market and draw positive interest from investors. This would create far more stable platform for entities who now can look at 3-5 years' picture and visualize the business models that will transform the Indian financial sector.</p> <p>Globally, RS has been introduced in many countries (about 20) including UK, Singapore, Hong Kong &amp; now India. Different kinds of sandbox approaches have been adopted in different countries. While UK &amp; Singapore facilitates testing per case basis, Australia offers open sandbox which is applicable to all with an option to customize for special cases.</p> <p>The regulators in UK discuss terms of product testing on an individual basis depending on the type of project, testing goals and existing</p>

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	<p>risks. Since India has adopted the approach to test on a case to case basis, the onus is on regulators for faster formation of cohorts and to ensure that innovators are facilitated with respect to entering the testing process. Further, it is important to facilitate cohort interaction. Basis the inputs received from various stakeholders in the Fintech ecosystem, Entity 6 would like to make the following submissions on the Draft Enabling Framework for Regulatory Sandbox for RBI's consideration.</p> <p><b>Key Concerns / Suggestions</b></p> <p><b>Section 6.5 - Fit and Proper Criteria for Selection of Participants in RS</b></p> <ul style="list-style-type: none"> <li>• <b>Clause 6.5.1 a.</b> As per the draft guidelines, the entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018.</li> </ul> <p><b>For the sandbox to lead to maximum positive outcomes and augment the growth of the financial services industry, it should be applicable to all fintechs / BFSI sector players without restricting it to only 'start-ups' as defined in the GOI DIPP Notification. Hence, Clause 6.5.1 a should be deleted.</b></p> <p>Since bigger fintechs have established themselves through market disruptions, their participation in the sandbox may be extremely relevant and is likely to result in more meaningful outcomes for consumers and the ecosystem. Also, many fintechs, especially aggregators, offer a wide range of products and services and while they may be an established entity in one, they may be a new entrant for another. <b>The participating fintechs, instead, could be restricted by the number of transactions under the sandbox, to encourage sound decisioning along with controlled, conducive and safe experimentations. This limit on transaction volume should be determined according to the product and service offered.</b></p>



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	<ul style="list-style-type: none"> <li>• <b>Clause 6.5.1 b.</b> As per the draft guidelines, the entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet. <b>This can be a roadblock for new entities. Most start-ups have a negative net worth and having the minimum net worth criterion of Rs. 50 lakh would severely stifle innovation.</b></li> <li>• At present, access to credit information is not available to any non – bank or any Fintech player. It is important to plan for how the availability of information could be optimized for Fintechs. <b>Enablement of credit bureau information for platform players and other Fintech players, who constantly work on innovation would help in achieving faster results.</b></li> <li>• <b>Clause 6.5.7</b> As per the draft guidelines, the applicants shall be required to share the results of Proof of Concept (PoC) / testing of use cases including any relevant prior experiences before getting admission into RS for testing, wherever applicable. <b>This too can be an entry barrier for new startups and hence it is suggested that if applicants cannot conduct User Acceptance Test (UAT) in their own environment, then they can use the Regulatory Sandbox. RBI may consider adding this to the guidelines.</b></li> </ul> <p><b>Other Suggestions</b></p> <ul style="list-style-type: none"> <li>• As the RS will operate in a live production environment requiring banks / financial institutions to share data with start-ups, <b>RBI may provide guidance on the safeguards to be followed for ensuring safety of such data.</b></li> <li>• The active guidance and close monitoring of the participants in the regulatory sandboxes could give rise to level playing field issues, creating two tiers between those firms in the sandbox and those outside it. The Regulatory sandbox will enable some Start-ups to apply and qualify to conduct the PoC in the RS, and some start-up firms may be left behind, this will create two tiers among the startup firms. <b>That is why, the objective of the regulatory sandboxes and</b></li> </ul>

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	<p><b>the entry criteria should be clear and made public in order to ensure a high degree of transparency in the entry process.</b></p> <ul style="list-style-type: none"> <li>• The end-to-end application process for a fintechs to enter the sandbox, according to the draft guidelines, will take approximately 26 weeks, which is too long to be viable for most fintechs. <b>It is therefore recommended to either have few steps or faster turnaround time so that there is meaningful participation by relevant players.</b></li> <li>• <b>The following products/services may also be included in list of innovative products/services/ technology</b> <ul style="list-style-type: none"> <li>_ Aadhaar vault integration</li> <li>_ Corporate services such as bulk payments/collections, Forex, SCFU</li> <li>_ Solutions for Agriculture/small business finance</li> <li>_ Reconsider credit information sharing services among the BFSI to ensure easy and effective sharing of credit information</li> </ul> </li> <li>• In case of individual innovators coming together to provide feasible and acceptable solutions, there should be a proper mechanism to handle the eligibility criteria and the solutions.</li> <li>• The sandbox should also be open to all BFSI players to experiment innovative ideas that can be tested and approved by regulators, thereby ensuring confidentiality of sensitive information and significantly reducing the TAT for innovations in BFSI.</li> <li>• <b>Model of Regulatory Sandbox (RS) – While the model envisaged by RBI in the draft is a Centralized Regulatory Sandbox, Banks/ FIs may also prefer their own RS wherein each FIs/ Banks have their own regulated sandbox environment, as this would help in individual Banks/ FIs for their specific needs.</b></li> <li>• With regard to clause 6.6 that deals with extending or exiting the sandbox, there is need to define in a robust manner the timelines and the exit criteria with appropriate flexibility being built in as there will be a lot of learning by doing that would happen both for the</li> </ul>



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	<p>innovators, the financial institutions that use the technology and the regulators.</p> <ul style="list-style-type: none"> <li>• According to clause 4.4, post-sandbox testing, a successful experimenter may still require regulatory approvals before the product/services/technology can be permitted for wider application. It is suggested that details of the process envisioned to undertake such approvals be provided for ease of reference for the Fintechs.</li> <li>• The possibility of each test being insured for the purpose of consumer damage must be explored. RBI may also keep minimum capital aside to compensate for any loss for customer and to further contain losses for end consumer in cases such a situation arises.</li> <li>• The regulator should be prepared to modify current regulation if the regulatory sandbox evidence suggests as much. Further, if a product or a service works well, but calls for relaxation of extant regulation, that regulation should be available to it once it emerges from the sandbox and enters commercial deployment.</li> <li>• The sandbox should be designed to go beyond testing new products. Globally, the principal focus of sandboxes has been to allow testing innovative business models in 'safe' regulatory spaces. In the Indian context, an additional use case could be enabling the sandbox to assess the pros and cons (costs and benefits) of proposed amendments to current regulations for existing products as well.</li> <li>• The sandbox should enable the engagement of all financial regulators as an inter-regulatory unit. This is because technology is enabling innovations that result in hybrid products that fall under the ambit of multiple regulators. Entrepreneurs face the challenge of identifying the relevant regulations and fully understanding the implications for their business. Examples of such products can be payment plus pension products (potentially involving RBI and Pension Fund Regulatory and Development Authority) or savings cum insurance products (RBI and Insurance Regulatory Development Authority) delivered over the mobile phone. In Hong</li> </ul>

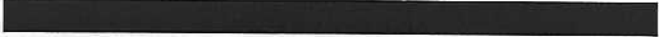
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	<p>Kong for example, the sandboxes of the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority are linked, so that there is a single point of entry for pilot trials of cross-sector fintech products.</p> <ul style="list-style-type: none"> <li>• The entity which develops a successful product/process out of the RS, should be permitted exclusive right of usage/marketing etc for a certain period as defined by the regulator. Post the defined period/cooling period, the product/process can be opened up to the broader market participants.</li> </ul>
7	<p>We are supportive of the RBI's proposed regulatory sandbox initiative. We welcome the greater avenue for discourse between industry participants and the regulator that the sandbox will provide, especially in such a fast-moving area of development.</p> <p>However, we note that Sections 5 and 6.5.1 of the proposal outline that the target applicants for entry are 'FinTech firms which meet the eligibility conditions prescribed for start-ups by the government'. We request that the RBI consider whether the regulatory sandbox should be made available to a wider selection of firms beyond start-ups, as innovation is not limited to start-ups. One of the purposes of the sandbox is to gain regulatory clarity and this is as relevant for an incumbent as it is for a start-up. It is also not uncommon for innovation to come as a result of cooperative efforts between start-ups and incumbent firms that fall outside the definition of 'start-up'. Incumbent firms are also thinking through how they can innovate and use new technology to increase efficiency safely, which can ultimately benefit consumers. Therefore, we query whether the sandbox should be available to such efforts and incumbent firms that may not fall cleanly within the parameters outlined in section 6.5.1. We note that regulatory sandboxes set up in other jurisdictions do not have similar entity restrictions: for instance, the UK Financial Conduct Authority's regulatory sandbox is open to authorised firms, unauthorised firms that require authorisation and technology businesses, while the</p>



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	<p>Monetary Authority of Singapore (MAS)'s sandbox targets but is not limited to financial institutions, FinTech firms, and professional services firms partnering with or providing support to such businesses.</p> <p>With reference to Section 5i, we would request that the RBI include mention of "absence of or lack of clarity in" governing regulations, as it may be that the sandbox is required where there are regulations present, but it is unclear how the existing regulatory perimeter might apply to a new product.</p> <p>With regard to Section 6.1, the outlined proposal to run the sandbox in cohorts is similar to that of the FCA's. However, where this differs is the intention to run the cohorts thematically, e.g. financial inclusion, payments and lending, and digital KYC. However, sandbox applicants may cross themes, e.g. a product may aim to improve financial inclusion via ease of lending or digital KYC. We would query how such a cross-theme product would be classed, as new innovative products may not be neatly categorised by theme. Limiting regulatory support thematically may introduce impediments to innovation, as encouraging multiple solutions to one issue, e.g. digital KYC, might lead to duplication, stops market participants from learning from another's experiences in the sandbox ahead of development, and may distort competition for those granted entry compared to those that do not make it. We refer the RBI to the FCA's sandbox, where the cohorts are not limited by theme.</p> <p>With regard to 6.1.1, the proposal has a list of activities that can be sandboxed and a list which cannot. One key notable omission is Credit Information and Credit Registry. This is one area where Fintech solutions, especially those with Artificial Intelligence, can help provide solutions for e.g. early warnings to Banks, which can help improve NPA's, etc. We propose that Credit Information and Credit Registry be moved in the positive list for Sand box testing. Trade Finance is another area which may be considered</p>

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	<p>With reference to Section 6.3, certain products/services/technology are explicitly singled out as an indicative negative list which may not be accepted for testing. While we commend the RBI for providing clear guidance on its intentions, we would recommend the removal of such an explicitly worded negative list which could dissuade or hinder innovation in these areas, and suggest that section 6.3 should be limited to, as the RBI has already outlined in section 6.3, the requirement that the applicants must demonstrate that a different technology is gainfully applied in an existing area or where the same technology is being applied differently.</p> <p>In section 6.5.3, we would request the addition of the words "or guidance" after the words "for which relevant regulation".</p> <p>We welcome the RBI's focus on consumer protection and agree that while testing with live consumers are key to the development of a product, such consumers must be informed of the risks of a new product. We would therefore recommend that in section 6.9, the RBI also consider going beyond this, and include the additional requirement for sandbox entities to not just notify customers of the potential risks of a new product, but also include in the notification that it is operating in a sandbox.</p> <p>We would request RBI to clarify if Banks are obliged to service sandboxed initiatives. If so, will Banks be offered any assistance/ support/ guidance when dealing with potentially unique and diverse Sandbox use cases. In such cases, would any limitations or exceptions be offered to banks when clients are operating within the sandbox. For instance, if a sandboxed company used the Bank services in a way that would ordinarily be outside of permitted regulation, would banks be obliged to report or will the sandbox exemptions extend to Bank services</p> <p>Finally, we highlight the importance of international collaboration between the RBI and other regulators, both domestically and internationally, given that technology is increasingly cross-sector and</p>



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	<p>borderless. We refer to the RBI to Hong Kong's Fintech Supervisory Sandbox structure, which spans three regulators (the Hong Kong Monetary Authority, the Securities and Futures Commission, and the Insurance Authority), and is linked up so that there is a single point of entry to the sandboxes for pilot trials of cross-sector fintech products. We call for the RBI to work closely with other Indian regulators, as is the case in Hong Kong.</p> <p>We would also welcome RBI joining the Global Financial Innovation Network (GFIN) once its sandbox guidance is published and the initiative is live.</p>
8	<p>This is with reference to the Draft Enabling Framework for Regulatory Sandbox which was posted by RBI for comments.</p> <p>Please find attached the comments and views on the same from Entity 8</p> <p></p> <p>Entity 8 would be keen to personally depose these points to RBI if so required.</p> <p>Looking forward to your kind consideration of this representation.</p> <p>Entity 8 welcomes the introduction of RBI's regulatory sandbox which sets the stage for more innovations. Entity 8 believes that the sandbox is bound to reduce the number of failures, bring new products to market and draw positive interest of investors at an early stage of organization. This creates far more stable start-ups who can now look at next 5 years' picture and visualize the new business models that will transform Indian financial sector.</p> <p>However, it is suggested that the established players also be given access as they are also working on the innovation agenda. The rationale being that the industry as a whole will benefit from the findings of operating in a controlled environment.</p> <p>Globally, regulatory sandboxes have been introduced in many countries including UK, Singapore, Hong Kong &amp; now, India. Different kind of sandbox approaches have been taken in different countries.</p>

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	<p>UK &amp; Singapore facilitate testing per case basis while Australia offers open sandbox which is applicable to all, with an option to customize for special cases. The regulators in UK discuss terms of product testing on an individual basis depending on the type of project, testing goals and existing risks. India has adopted the approach to test on a case by case basis, similar to UK's. With such an approach, it needs to be seen how fast the cohorts are formed and that innovators do not face any biased judgement with respect to entering the testing process.</p> <p>The exclusion of innovations around alternate credit data needs to be relooked at as alternate data is a core component for driving the financial inclusion agenda. The draft framework proposes to create a negative list of products/ services/technology which may not be accepted for testing which includes 'Credit information'. This inhibits entrepreneurs using/developing alternate means and models for assessing credit worthiness from accessing the Regulatory Sandbox. It is a grim reality that even today, India remains under-penetrated in access to finance.</p> <p>Entrepreneurs working on developing new models for assessing credit worthiness of customers using available information must be provided access to the Regulatory Sandbox. The draft guidelines also pave the way for e-contracting, easier KYC &amp; repayments as well as assisted digital delivery in retail assets. In such a scenario, what becomes important is maintaining confidentiality of customer's information (e-KYC, Cyber security processes), prevention of money laundering (market place lending, money transferring service, wealth management etc.) and countering the financing of terrorism. RBI may also keep minimum capital aside to compensate for any loss by the customer. Additionally, for processes like video KYC, there are no clear guidelines, and everyone is experimenting through different methods. It can come under scrutiny of the regulator, any day. Hence, this needs validation from a regulatory point of view, while keeping</p>



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	<p>customer's confidentiality in mind. Thus, there's a need to test such innovative KYC techniques. Also, there are concerns over confidentiality disclosure requirements. Start-ups, by being a part of regulatory sandbox bestow on RBI the right to publish any report / data related to their innovation. Such a provision may discourage real innovators from being a part of the sandbox as their moats around technology could become untenable. Therefore, to ensure vibrancy of the program and maximum participation, Entity 8 proposes RBI should relook at the confidentiality provision.</p> <p>Finally, there are concerns over the selection and fit criteria for selecting cases for the regulatory sandbox platform. There are multiple examples from past which tell us that innovation can come from unexpected places, and it is highly likely that in the Indian context it comes from a hostel room of an academic institute like IITs or NITs.</p> <p>Unfortunately, many of these student-innovators maybe excluded from the sandbox due to the fact they have never taken a loan and so may not have any CIBIL or credit bureau score to their name. Therefore, we propose that credit score proviso should be removed, while retaining other criterion which may ensure that only fit and proper entities apply for the sandbox.</p> <p>RBI has also outlined other conditions like the entity in question having a minimum networth of 50 lacs has also been articulated. As some innovators may not have a credit score due to genuine reasons we propose that credit proviso be removed, and networth requirement be kept. Such an arrangement would be inclusive while ensuring that only genuine entities apply for the sandbox.</p>

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9	<p>Please find attached our comments and feedback on the draft guidelines on Regulatory Sandbox for Fintechs.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]. If given an opportunity, we shall be happy to participate in any stakeholder discussions or present further international comparative features and processes for the proposed sandbox.</p> <p>1. Fintech Scenario in India</p> <p>Fintech, short for Financial Technology, is the umbrella term used to describe the different models of application of technology in financial services. As an industry, it has witnessed a significant spike in popularity owing to great technological advances along with a positive response from the market. A large majority of global banks, insurers, and investment managers are planning to partner with financial technology companies over the next 3-5 years, and expect a 20% average return on investment on their innovation projects. Infrastructure-based technology, through platformification and open application programming interfaces (APIs), is reshaping the future of the financial services industry, while the operational advancements offered by robotic process automation (RPA), chatbots, and Distributed Ledger Technology (DLT) are enabling greater agility, efficiency, and accuracy. Through innovative use of technologies, financial technology companies are delivering low-cost personalized products, which has a significant impact on the rising customer expectations, along with mounting pressure on traditional firms.</p> <p>In India, the financial services sector has seen a new wave of participants, including Fintech start-ups offering digital payments, remote lending, microfinance, etc., and various other e-commerce and technology firms, alongside incumbent financial institutions. Fintech</p>



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	<p>would drive 5x more employment, increase MSME contribution to the GDP by 10 percentage points by 2022. The number of direct jobs created per crore of investment in Fintech industries is thrice the number of direct jobs created per crore of investment in the traditional industries</p> <p>1.1. Market Share of Fintech</p> <p>The Global fintech market's transactional value's CAGR is 8.6% over the forecast period of 2019-2024. Global fintech funding rose to USD 111.8 billion in 2018, up 120 percent from USD 50.8 billion in 2017, fuelled by mega M&amp;A and buyout deals, according to the KPMG Pulse of Fintech report.<sup>2</sup> The Indian economy which was traditionally cash-driven has responded well to Fintech. The transaction value of the Indian Fintech sector was estimated to be approximately USD 33 billion in 2016 and is forecast to reach USD 73 billion in 2020 growing at a five-year CAGR of 22%.</p> <p>1.2. Legal Compliances for Fintech Companies</p> <p>1.2.1 RBI Report on Fintech</p> <p>The Reserve Bank of India, in July 2016, set up an inter-regulatory Working Group (WG) to look into and report on the granular aspects of Fintech and its implications for the financial sector so as to review and reorient appropriately the regulatory framework and respond to the dynamics of the rapidly evolving Fintech scenario. The Group included representatives from the Reserve Bank of India, Securities Exchange Board of India, Insurance Regulatory and Development Authority, and Pension Fund Regulatory and Development Authority, from select financial entities regulated by these agencies, rating agencies such as CRISIL and Fintech consultants / companies. The Group released the Report on November 23, 2017 on Fintech and Digital Banking ('Report'). Among other things, the Report expounds on the various aspects of Fintech innovations such as the use of Blockchain, digital currency, emergence of Regulations Technology as a sector etc. The Report further provides a roadmap for</p>

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	<p>prospective Sandbox Regulations. Recommendations in respect of data security, Human Resource Management, etc. are also included.</p> <p><b>1.2.2 Information Technology Regulations</b></p> <p>Information Technology Act, 2000 ('IT Act'), provides for transactions carried out by means of electronic data interchange and other means of electronic communication. Under the aegis of the IT Act, the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011, lays down the standards to be complied with for collection, disclosure, transfer and protection of sensitive personal data or information. Corporates are required to establish and follow reasonable security practices and procedure, provide a policy for privacy and disclosure and obtain permission of the owner before disclosing any data to a third party. Information Technology (Intermediary Guidelines) Rules, 2011, which lays down the compliances to be followed by an 'intermediary' – someone who in respect of an electronic records, receives, stores or transmits that record or provides any service with respect to that record, on behalf of another person – requires an intermediary to publish the rules and regulations, privacy policy and user agreement for access-or usage of the intermediary's computer resource, inform its users at least once a month that any non-compliance with the rules and regulations, privacy policy and user agreement by a user will lead to termination of the right of the users to use the intermediary's computer resource, establish a company and permanent base in India and report any cyber security crimes to the Indian Computer Emergency Response Team.</p> <p><b>1.2.3 Anti-Money Laundering Norms</b></p> <p>The Prevention of Money Laundering Act, 2002 and related rules which require the Reporting Entities to record and preserve details of the transactions and to furnish information to the appropriate authorities whenever needed.</p> <p><b>1.2.4 Cross Sectoral Regulations</b></p>



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	<p>Owing to the innovative nature of fintech companies there is also a possibility that they may be regulated by more than one regulatory authority. Some cross sectoral regulatory possibilities are as provided below. Strict reporting requirements and penalties for non-reporting are also imposed on the Reporting Entity.</p> <p><b>2. Regulatory Sandbox</b></p> <p>A regulatory sandbox is a regulatory approach that allows live, time-bound testing of innovations under a regulator's oversight. Novel financial products, technologies, and business models can be tested under a set of rules, supervision requirements, and appropriate safeguards. A sandbox creates a conducive and contained space where incumbents and challengers experiment with innovations at the edge or even outside of the existing regulatory framework. A regulatory sandbox brings the cost of innovation down, reduces barriers to entry, and allows regulators to collect important insights before deciding if further regulatory action is necessary. A successful test may result in several outcomes, including full-fledged or tailored authorization of the innovation, changes in regulation, or a cease-and-desist order. The first regulatory sandbox was launched in 2015 in the U.K. and generated great interest from regulators and innovators around the world. At the beginning of 2018, there were more than 20 jurisdictions actively implementing or exploring the concept.</p> <p><b>2.1 International Scenario</b></p> <p><b>2.1.1 United Kingdom</b></p> <p>The United Kingdom was the first country to set up a regulatory sandbox, in May 2016, as part of Project Innovate, an initiative promoted by the Financial Conduct Authority to help encourage innovation in the interest of consumers, and to promote competition among financial services providers by supporting disruptive innovation.</p> <p>According to Financial Conduct Authority (FCA) estimates, the UK hosts about 50% of total European disruptive FinTech, and creation</p>

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	<p>of an appropriate regulatory framework is a necessary condition to remain Europe's leading FinTech Hub.</p> <p>The UK models rests on entry subject to approval through an application process that takes place twice a year.</p> <ul style="list-style-type: none"> <li>• The first cohort of applications took place by mid-2016, and 24 companies were accepted to the sandbox out of the 69 companies that applied;</li> <li>• A second cohort was called at the beginning of 2017, and 31 companies met the sandbox eligibility out of 77 submissions.</li> <li>• According to FCA, while in the first cohort the majority of firms were based in London, the range of firms in the second cohort is much more diverse in geographic origin, as well as in sectors of activities.</li> </ul> <p>The FCA bases its approval process on several factors including the ingenuity of the innovation, benefit to consumers, readiness of the product to be tested, and need of guidance for the testing process.</p> <p>2.1.2 Australia</p> <p>Shortly after the UK, Australia pursued its own initiative by setting up a Sandbox as a natural extension of the ASIC (Australian Securities and Investments Commission) Innovation Hub. A key feature of the proposal is reducing, during a fixed period of time, some of the requirements (such as financial resource requirements, or relevant managerial experience) which might be challenging for and impede start-ups. There are significant differences between the UK and Australian models on which sandboxes rely, the most important one being about ease to enter the sandbox.</p> <p>At the other end of the spectrum, the Australian sandbox does not rely on the regulator selecting applicants and negotiating individual testing terms. On the contrary, it rests on a "white-list" approach whereby all companies that fit certain criteria are automatically allowed to validate their concepts without having a license. Companies in the sandbox are, however, required to let it clear to customers that they are not authorized/licensed and are operating</p>



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	<p>under temporary licensing exemption. Many financial centres have followed the lead open by the UK and Australian initiatives, among them Singapore, Indonesia, Malaysia, Thailand, or Hong Kong in Asia; while in Europe initiatives have been recently launched in Switzerland and the Netherlands. Next table, taken from a recent IMF report, summarizes the main operational aspects of them.</p> <p><b>2.1.3 Malaysia</b></p> <p>Bank Negara Malaysia (BNM), Malaysia's central bank, was one of the earliest regulators after the FCA to implement a regulatory sandbox. The first four participants in the sandbox commenced testing in early 2017 (currently at six participants as of September 2018.) These include WorldRemit, a remittance service who tested an online customer identification technology incompatible with existing KYC regulations and is now used in Malaysia after the company's successful exit from the sandbox.</p> <p><b>Key Features:</b></p> <ul style="list-style-type: none"> <li>• Eligibility requirements explicitly mention financial inclusion objectives</li> <li>• It is also required that the proposed innovation be 'wholly or partly incompatible with laws, regulations or standards' administered by BNM with relevant regulatory flexibility considered for innovations which possess 'strong value propositions.'</li> </ul> <p><b>2.1.4 Mauritius</b></p> <p>The 'Regulatory Sandbox License' (RSL) of Mauritius is operated by the Economic Development Board (MEDB). As of January 2018, the Mauritius sandbox had at least five participants with two providing blockchain and cryptocurrency-based solutions with others providing non-financial innovations.</p> <p><b>Key Features:</b></p> <ul style="list-style-type: none"> <li>• RSL is available for 'innovations' generally and not limited to financial products and services</li> </ul>

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	<ul style="list-style-type: none"> <li>Decisions to accept an applicant is made by the MEDB, the sandbox operator, with the input of the appropriate regulator who acts as part of a Technical Committee providing substantive evaluation, advice and recommendations concerning applicants.</li> </ul> <p>2.1.5 Thailand</p> <p>The Bank of Thailand (BOT) launched its regulatory sandbox in December 2016 for banks and nonbank financial institutions (NBFIs) incorporated in Thailand who offer products related to lending, payments and fund transfers. As of February 2018, the sandbox had four participants providing solutions using blockchain technology for letters of guarantee, international remittance services and biometric identification systems. A project standardizing QR codes for domestic and cross-border payments was successfully tested using the sandbox by eight banks and financial institutions and was subsequently deployed in the market.</p> <p>Key Features:</p> <ul style="list-style-type: none"> <li>Pre-existing regulated entities go first, then suitable FinTech's afterward</li> </ul> <p>Three out of the four companies approved by the BOT include the use of blockchain for letter of guarantee and cross-border transfer</p> <p>2.1.6 ASEAN Financial Innovation Network (AFIN)</p> <p>An initiative of the IFC, MAS and ASEAN Bankers Association, AFIN is a regional industry sandbox promoting innovation and collaboration between regional banks, NBFIs, microfinance institutions and FinTech innovators with an emphasis on financial inclusion. Ultimately it is a multi-jurisdictional effort to create a cloud-based virtual sandbox where banks and FinTechs can jointly test applications to solve similar industry problems, such as customer onboarding and alternative credit scoring.</p> <p>Since banks and institutions in developing countries have limited resources to develop solutions to reach the underserved, partnerships like those facilitated by the AFIN sandbox can further</p>



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	<p>financial inclusion by reducing costs for individual institutions. AFIN plans to collaborate closely with MAS and other regulators, providing them with an opportunity to better understand challenges faced by FinTechs and initiate policy harmonization within the ASEAN region which, in turn, can further business and investment opportunities. In September 2018, AFIN announced the launch of its API Exchange ('APIX') consisting of a FinTech marketplace, collaborative industry sandbox environment and adoption of APIs 'to drive digital transformation and financial inclusion across Asia-Pacific.' AFIN also entered into a partnership with ADGM to expand the reach of APIX beyond ASEAN borders.</p> <p>Key Features:</p> <ul style="list-style-type: none"> <li>• FIs and FinTech firms to connect to one another through a globally curated marketplace;</li> <li>• Collaborative experiments in a sandbox among financial industry participants; and</li> <li>• Adoption of APIs to drive digital transformation and financial inclusion across Asia-Pacific.</li> </ul> <p>2.1.7 Industry Sandbox (UK)</p> <p>Pursuant to FCA invitation, Innovate Finance originally chaired an industry-led consultation (and resulting report) to explore an industry sandbox environment, producing synergies from a collaborative 'shared off market development environment' for financial innovation. Project objectives include providing the UK FinTech ecosystem with common access to valuable resources (such as a data exchange and open APIs), using collaboration to solve complex problems and promoting regulatory efficiency through the involvement of regulators as observers. The Industry Sandbox Consultation Report includes comments recognizing how industry sandboxes can benefit innovation (and the process) and positively impact on consumers, advancing financial inclusion goals and can also supplementing the</p>

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	<p>data sets on important issues. Findings of the Consultation Process were as follows:</p> <ul style="list-style-type: none"> <li>• Open to the whole of the ecosystem on a voluntary participation basis;</li> <li>• Connected to shared testing environments and different proprietary sandboxes;</li> <li>• Accessible via clear eligibility requirements and as low barriers for participation as are economically feasible.<sup>7</sup></li> <li>• Industry Sandboxes participation ranges from: <ul style="list-style-type: none"> <li>○ Users of the sandbox resources;</li> <li>○ Contributors of the sandbox resources;</li> <li>○ Sponsors of the sandbox;</li> <li>○ Observers of the sandbox outputs.</li> </ul> </li> <li>• FinTech start-ups, financial institutions, technology and data vendors, professional services firms, and venture capital funds can all be users, contributors or sponsors of Industry Sandboxes (or a combination of these roles). Regulators, academia and professional membership bodies can participate as observers or, where relevant, enablers in secretariat or research functions.</li> <li>• Industry Sandboxes could have the following components: <ul style="list-style-type: none"> <li>○ Application assessment mechanism allowing users to self-certify their eligibility for access, supported by case worker review where necessary;</li> <li>○ Data sets of as wide and varied nature as feasible, including market, product and consumer transactional data provided data privacy standards are met. Such data can be synthetic, historic, delayed or live market data, or anonymised transactional data. Data architecture should allow for both structured and unstructured data, with the ability to layer analytics. Enabling access to sample sizes live data from volunteer consumers was left to further review;</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>○ Permissions for data access should be managed by the data provider, while the Industry Sandbox develops a registry of available data assets and collects meta-data on their usage;</li> <li>○ Reference architectures providing users with a set of domain specific artefacts, design patterns and terminology that describe successful operational architectures, thus facilitating multiple parties coming together to interoperate and solve new problems at a business and technical level;</li> <li>○ Product Certification providing industry-level assurance that solutions tested in the sandbox confirm to existing national or international industry standards, best practices defined by competent bodies; or emerging standards agreed at sandbox level. Certification should be voluntary, time-bound, transparent, and reflective of the product maturity;</li> <li>○ Showcase space allowing solutions tested in the sandbox to be easily and digitally accessible by observers anywhere;</li> <li>○ Advisory space connecting sandbox users with interested providers of professional service advice, particularly with regard to regulatory compliance and readiness to integrate with legacy systems;</li> <li>○ Analytics and audit tools allowing understanding and transparency of how sandbox assets are being used;</li> <li>○ Participants' Forums providing a dedicated communication, collaboration and feedback channel for each participant type. Forums can be both digital platforms and physical meetings.</li> </ul> <p>Industry Sandboxes could engage with regulators in order to:</p> <ul style="list-style-type: none"> <li>○ Engage in curated dialogue with sandbox participants;</li> <li>○ Review Industry Sandbox tests in applications to regulatory sandboxes;</li> <li>○ Test RegTech solutions for regulators;</li> <li>○ Feedback into policy development.</li> </ul>

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	<ul style="list-style-type: none"> <li>○ Industry Sandbox could have simple and flexible governance structure providing for neutrality, robust management of the rights and obligations of participants, and compliance. They would be set up as non-for-profit structures. Industry Sandboxes could be funded through a combination of subscriptions, sponsorship and benevolent funding. Their cost would vary significantly based on the sophistication of the environment constructed.</li> <li>• Implementation Choices <ul style="list-style-type: none"> <li>○ Based on the identified design and governance requirements, an Industry Sandbox can be as simple as a catalogue of existing open datasets or APIs or as complex as a fully-fledged digital platform for managing access to market and institutional data and conducting collaborative research and development. An Industry Sandbox could also be generic or dedicated to a specific industry challenge.</li> <li>○ Implementation Choices would vary between organisations taking an Industry Sandbox forward.</li> </ul> </li> </ul> <p>2.1.8 New Payments Platform (NPP) API Sandbox</p> <p>NPP Australia (the national real-time payments service) has partnered with The Society for Worldwide Interbank Financial Telecommunications (SWIFT) to provide a cloud-based “APIs and box’ to enable innovators to learn, test and experiment with the NPP API Framework and integrate NPP payments functionality into their own products and services.</p> <p>Key Features:</p> <ul style="list-style-type: none"> <li>• This testing environment will enable third-party service providers, software developers and participating financial institutions to test and see the NPP’s benefits and capabilities in a way that will ensure interoperability and consistency, regardless of the type of innovation they are focused on.</li> </ul>



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	<ul style="list-style-type: none"> <li>• Developers looking to understand the capabilities of the NPP will be able to build and test NPP-based solutions in an environment that's independent of the actual platform</li> </ul> <p>2.1.9 The Global Financial Innovation Network (GFIN)</p> <p>It represents a network of 29 financial regulators and related organizations exploring the potential for a global sandbox. Pertinent to developing countries, GFIN calls for a channel of cooperation between financial regulators, assisting them with addressing common challenges and developing the capacity and knowledge of their staff. It also provides a platform for firms to interact with regulators, opportunities to scale ideas across borders and to reduce time to deploy products and services to the international market – an incentive which may attract more innovators into the sandbox.</p> <p>Key Features:</p> <ul style="list-style-type: none"> <li>• Each regulator will have its own individual screening criteria, areas of interest, ability to support certain activities, and will be responsible for ensuring that appropriate safeguards for their jurisdiction are in place.</li> <li>• Firms that wish to participate in the six-month pilot phase must meet the application and regulatory requirements of all the jurisdictions in which they would like to test</li> </ul> <p>2.2 Analysis of the probable impact of Sandbox on India's Landscape</p> <p>2.2.1 Impact on the Financial Services Sector</p> <p>Regulatory Sandbox would benefit FinTech companies by way of reduced time to launch innovative products at a lower cost. FinTech has the potential to reshape the financial services and financial inclusion landscape in India in fundamental ways. It can reduce costs and improve access and quality of financial services. There is a need to strike a subtle balance between effectively utilising FinTech while minimising its systemic impacts.</p> <p>It is essential for banks to explore the possibility of establishing new alliances with FinTech firms as it could be pivotal in accelerating the</p>

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	<p>agenda of financial inclusion through innovation. It is essential that flow of investments to this sector is unimpeded to realise its full potential. It is imperative to create an ecosystem which promotes collaboration while carefully paying attention to the implications that it has for the macro economy.</p> <p>India has been at the forefront of this revolution, he said, a recent global survey ranks India second in terms of FinTech adoption, with an adoption rate of 52 per cent.</p> <p>2.2.2 Impact on the Financial Inclusion and socio-economic indicators</p> <p>It is reported that there are as many as 1,218 FinTech firms operating in India which have created a large number of jobs and have generated a healthy appetite for investment.</p> <p>To further deepen digital payments and enhance financial inclusion through FinTech the Regulatory Sandbox shall go a long way.</p> <p>India's goal to achieve greater use of electronic payments so as to achieve a less-cash society, shall be accomplished by promoting innovations to create a payment system that combines the attributes of safety, security, enhanced convenience and accessibility, leveraging technological solutions that enable faster processing.</p> <p>Affordability, inter-operability, and customer awareness and protection will also be achieved with regulatory sandbox.</p> <p>2.2.3 Impact of Sandbox on India's Goals of Financial Inclusion</p> <p>Using a regulatory sandbox may affect financial inclusion—and specifically, digital financial inclusion—in several ways. Some effects stem from general benefits are improving capacity of regulators to deal with innovations and promoting competition—including between innovators and incumbents—with positive impact on pricing of financial products and services. Other effects are specific to financial inclusion, such as promoting innovation that improves financial inclusion and improving capacity of regulators to balance financial inclusion with other regulatory objectives.</p>



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	<p>3. Feedback on the Draft Guidelines</p> <p>3.1 Thematic Cohorts</p> <p>In Para 6.1 there is a mention of thematic cohorts focussing on financial inclusion, payments and lending, digital KYC etc. This is an advanced version of the Regulatory Sandbox. The move is welcome however restricting the cohorts to certain themes shall be of hindrance to the Fintech players. The development of the themes of cohorts requires a level of maturity in the Fintech segment of the country whereby clear delineation can be made in the various products and services that are currently being offered by various Fintech players. Without the knowledge on the current development of Fintech innovation, thematic cohorts shall act as barriers to the entry of many Fintech innovators. Themes for the cohorts can be a criterion but should not be a mandatory requirement for judging the application. The regulator may at its discretion create clusters of similar fintechs with the same case manager for ease of study.</p> <p>3.2 Products under other Regulators</p> <p>In 6.1.1 there is a list of Innovative Products and Services. Since the Regulatory Sandbox for Fintech is an initiative by the Banking Regulator the products related to trading, securities and insurance will not be able to be a part of the Regulatory Sandbox. There is possibility that there might be Fintech innovators who are developing products/services that involve banking and insurance or banking and securities features. In such a scenario it is submitted that going forward RBI should initiate co-operation agreements with other regulators for more effective study and regulation.</p> <p>3.3 Relaxations for Sandbox Applicants</p> <p>In para 6.2 the regulatory requirements that shall be mandatorily required by the applicants have been clearly mentioned. For the regulatory requirements that can be relaxed it is mentioned that it shall be decided on a case by case basis. It is suggested that a list of</p>

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	<p>regulatory requirements that can be relaxed can be provided just the way Monetary Authority of Singapore has provided.</p> <p>Examples of "Possible to Relax" requirement</p> <ul style="list-style-type: none"> <li>○ Asset Maintenance requirement</li> <li>○ Board Composition</li> <li>○ Cash Balance</li> <li>○ Credit Rating</li> <li>○ Financial Soundness</li> <li>○ Fund Solvency and Capital Adequacy</li> <li>○ License Fee</li> <li>○ Management Experience</li> <li>○ Minimum Liquid Assets</li> </ul> <p>3.4 Umbrella Sandbox</p> <p>Fintech innovations have endless scope and possibilities in terms of product/service offerings. One of the main features of Fintech innovation is the possibility of development of products that have a cross border impact such as foreign remittance facilitation. In such a case a product which has cross border applications shall not be able to have its product/service tested in other jurisdictions which will dilute the test results. In this scenario we submit that RBI considers establishing an Umbrella Sandbox in collaboration with other South Asian countries so that the innovations can be tested on a broader scale. In the meanwhile, RBI can enter into agreements with other financial regulators for cross-border pilot testing of products. An Umbrella Sandbox initiative shall lead in greater cooperation with other jurisdictions as well as wider learning opportunities. Such initiatives are already being launched like FCA's suggested model of Global Sandbox. This concept has immense scope and opportunities.</p> <p><i>In August 2018, the UK Financial Conduct Authority (FCA), together with a number of global financial regulators and related organisations, formed Global Financial Innovation Network (GFIN) with the objective</i></p>



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	<p><i>of providing a platform for innovative firms to better interact with regulators and trial cross-border solutions.</i></p> <p><i>In its latest announcement, GFIN said that a total of 44 unique applications were submitted across the 17 participating regulators for the cross-border testing pilot. It added that a high number of applications also came from RegTech and cryptoasset focused firms.</i></p> <p><b>3.5 Type of Entity</b></p> <p>Para 6.5.1(a) of the Draft states that, "The entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018."</p> <p>By a strict interpretation of the provision contained therein, it can be construed that an applicant should be both, a company incorporated and registered in India and should meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. The criteria for qualifying as a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018 is reproduced below:</p> <p><i>"(a) An entity shall be considered as a Start-up:</i></p> <ul style="list-style-type: none"> <li><i>i. Upto a period of seven years from the date of incorporation/registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India. In the case of Start-ups in the biotechnology sector, the period shall be upto ten years from the date of its incorporation/ registration.</i></li> <li><i>ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs. 25 crore</i></li> <li><i>iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business</i></li> </ul>

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	<p><i>model with a high potential of employment generation or wealth creation.</i></p> <p><i>Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Start-up'."</i></p> <p>It is humbly submitted the pre-condition given in Para 6.5.1(a) should be reconsidered.</p> <ul style="list-style-type: none"> <li>• RBI Working Group report mentions that the company can be a subsidiary of banking company.</li> <li>• NBFC and Payment Systems require fintech to enhance efficiency and reduce cost.</li> <li>• Hong Kong only allows fintech of regulated licensed entities such as banks and payment systems. No such restriction in United Kingdom and it is the most successful sandbox model internationally.</li> </ul> <p>We recommend:</p> <ul style="list-style-type: none"> <li>• Scale of entity can be limited</li> <li>• Number of clients and total client turnover can be used to ensure new products with limited market exposure avail sandbox</li> </ul> <p>3.6 Minimum Net worth requirement</p> <p>Para 6.5.1(b) of the Draft states that, "The entity shall have a minimum net worth of Rs. 50 lakh as per its latest audited balance sheet."</p> <p>It is humbly submitted that the requirement of Rs. 50 lakh should be reconsidered. Read with Para 6.5.1(a), only a start-up company with a minimum net worth of Rs. 50 lakh and a turnover not exceeding Rs. 25 crores will be able to be an applicant.</p> <ul style="list-style-type: none"> <li>• Expected net worth is too high. Regulated entities like full-fledged money changers (FFMC) with money transfer Service Scheme (MTSS) have this net worth requirement.</li> <li>• The net worth requirement discourages start-ups with an innovative product which do not receive investment prior to an application to enter the sandbox causing a regulatory hurdle for such start ups</li> </ul>



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	<p>For this purpose, we recommend that the minimum net worth criterion be relaxed to Rs. 10 lakhs.</p> <p><b>3.7 Conduct of Bank account requirement</b></p> <p>In Para 6.5.1(d) of the Draft, the RBI requires applicants to show that the conduct of the bank accounts of the entity as well its promoters/directors is satisfactory.</p> <p>The requirement is vague in nature. We request the RBI to kindly clarify the words "conduct" and "satisfactory". We further request the RBI to specify the criteria to ascertain an unsatisfactory conduct of the bank accounts of the entity and its promoter/directors.</p> <p><b>3.8 Proof of Concept</b></p> <p>In para 6.5.7 it is mentioned that the applicants shall be required to share the results of the Proof of Concept/Testing of use cases. This provision has the chance of running counterproductive to the concept of Sandbox which is providing innovative players an access to the market. It is suggested that the PoC criterion can be relaxed on for certain cases if the fintech is able to show lack of access to market.</p> <p><b>3.9 Disclosure of Information</b></p> <p>It is submitted that RBI may obtain sensitive information of the participants during the term of the Sandbox. It is submitted that such information may be given in trust to the RBI. Further, companies may be apprehensive in sharing such information if they perceive that the information may be used against them at some point. For this purpose, we humbly recommend the following:</p> <ul style="list-style-type: none"> <li>a) Such information may not be used in a manner prejudicial to the interests of the company after such company exits the Sandbox.</li> <li>b) Such information may be excluded from the definition of "public documents" under the applicable laws.</li> <li>c) Such information may be excluded from any inter-agency or inter-departmental transfer or exchange of information.</li> </ul>

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	<p>d) Such information may be excluded from the “relevant information” sought to be published by the RBI on its website under Para 9 of the Draft.</p> <p>3.10 Decisions of RBI to accept to reject an applicant be made Non – Appealable</p> <p>Decision to accept/reject an applicant’s entry into the Sandbox be made non-appealable in any court, department or tribunal. It is submitted that the authorized body’s decision to either accept or reject an applicant’s entry into the Sandbox be made non-appealable. RBI must avoid being involved in litigations which may take up precious time of the RBI and may lead to interpretation of the Sandbox Framework by the courts. This resolution may be supported by the stand of the Hon’ble Supreme Court that courts shall not interfere in economic policy decisions unless a prima facie mala fide intention can be observed therein or there is injury to public because of dereliction of Constitutional or statutory duties by the government. In addition, the Supreme Court has also regularly stated that with regard to policies the Courts may not have the requisite expertise or knowledge of the subject matter to adjudicate a dispute. Hence, for this purpose, we recommend that a clause be added to the Sandbox Framework stating that decisions of the authorized body to accept or reject an applicant is non-appealable.</p>
10	<p>This is further to my appended email. PFA for the reference of the team consolidated comments from our side <b>(2 set of comments provided by the Entity 10)</b> on the draft regulations for the Regulatory Sandbox for the team’s consideration. Please do let us know incase of any further queries or discussions on the same; and we can set-up a call/ discussion session with the RBI team.</p> <p>Set 1: General comments on the background of the document:</p> <p>Under 3. Regulatory Sandbox: Benefits</p>



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	<p>1. Under 3.4, the regulator may still need to consult with internal or external technical experts as it learns about the different technologies in the sandbox.</p> <p>2. Under 4. Regulatory Sandbox: Risks and Limitations</p> <p>a) A key risk is the amount of time and resources that will be needed to run a sandbox.</p> <p>Further in addition to denoting liability on the entity, there should be proper safeguards so that the products are tested in a completely ring-fenced environment.</p> <p>3) Under 5. Regulatory Sandbox: Eligibility Criteria for Participating in the Sandbox</p> <p>a) The Eligibility Criteria given in the Framework says that the target applicants are Fintech firms. In case, any existing bank or NBF's technology arm/department want to test some new innovation, which can potential contribute to easing and positively effecting delivery of financial services, they could potentially be allowed to participate in RS. Most of the sandboxes around the world are open for startups as well for existing financial service providers. Section 3 of the Framework quotes "Incumbent financial service providers, including banks, also improve their understanding of how new financial technologies might work, which helps them to appropriately integrate such new technologies with their business plans. Innovators and FinTech companies can improve their understanding of regulations that govern their offerings and shape their products accordingly" but under the Eligibility section (#3) quotes that that "the target applicants for entry to the RS are FinTech firms which meet the eligibility conditions prescribed for start-ups by the government". Consider aligning the different areas in the document.</p> <p>b) Consider adding the following eligibility considerations to narrow down the field of applicants: 1) Products that have not already been introduced in the market, or existing products that have new features,</p>

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	<p>new delivery mechanisms, 2) Having some prototype developed and tested prior to entering sandbox.</p> <p>3. Under 6.1, in case of thematic cohorts, what would be RBI's approach in case it receives several eligible applications for similar products or technologies? Will all of them be accepted in the cohort and what would be criteria of selection?</p> <p>4. Under 6.1.1 and 6.1.2 "Smart Contract" is listed under Innovative Products/Services (6.1.1), it should be part of the "innovative technology" section (6.1.2) as it is not a financial product but an underlying technology which can be applicable to many products.</p> <p>5. Under 6.2, the Regulatory Requirements that should be met, may possibly be included in the eligibility criteria as well, since applicants would need to demonstrate that these conditions would be met in order for applicants to be considered eligible.</p> <p>6. Further suggest to indicate that "Participants should maintain secure storage of and access to all data of consumers" (instead of only payment data of stakeholders)</p> <p>7. Under 6.3 Exclusion from Sandbox testing, is there a reason for excluding products related to credit information?</p> <p>8. Under 6.5 Fit and Proper Criteria:</p> <p>a) The current Framework is only for the Indian startups. In case, there are some foreign companies who are keen to test innovative technologies in India, the RS could consider adjusting the framework to allow innovation by adding conditions such as mandatory collaboration with an Indian Company etc. This model is followed in other sandboxes.</p> <p>b) Currently, the "test scenario and progress reports" is part of the Fit and Proper criteria (6.5), it should be ideally part of the application screening and evaluation stage. The applicant can be "fit and proper" based on innovation and lack of regulatory clarity. Reporting on the test etc. are generally part of the admission criteria's/conditions and testing evaluation.</p>



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	<p>c) Under 6.5.3 – applicants may not be aware of the regulatory requirements, which is one of the main reasons they would come to the sandbox – for appropriate guidance. One of the objectives of a sandbox is to allow participants to understand what relevant laws and regulations apply and need to be complied with. Will all participants be provided with information on laws/regulations relevant to consumer data protection and privacy.</p> <p>9. Under 6.5.8, applicants may be requested to provide adequate consumer safeguards for risks anticipated. In addition, the framework could provide more clarity on “Consumer Safeguards”. Below are some of the examples:</p> <ul style="list-style-type: none"> <li>- Requirement to obtain consumer's prior written consent to their participation in the test.</li> <li>- Requirement to add prominent statements in some or all communications to consumers informing them of their participation in the test.</li> <li>- Extra capital requirements such as ring-fencing funds to ensure redress to consumers should the test result in consumers suffering a financial detriment.</li> <li>- Extra requirements related to the Innovation's handling and protection of consumer data.</li> </ul> <p>10. Under 7. The Sandbox Process and its Stages in a Regulatory Sandbox</p> <p>a) Under 7.2.4 the Test design phase is only for 12 weeks, it may not be adequate for some of the technologies to measure the impact they may have on the financial service deployment and usage. In most of the other Sandboxes, this stage is set up for minimum 6 months i.e. 24. Test reports/results may show more accurate results especially covering the issues of consumer protection, privacy and technological defects etc., in case set up for a little longer period.</p> <p>b) Related to 7.2.4, we feel that the Evaluation (under 7.2.5) should not be separate, but a part of the Testing phase. While the applicants</p>

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	<p>are testing their products in the sandbox, the Fintech Unit or other dedicated Sandbox team would be monitoring their progress, any risks etc. Therefore, this would also take place over the entire 6 months of testing.</p> <p>c) While 6.5.6 indicates that applicants should have an exit strategy, the Sandbox Process does not provide for an Exit Stage. The Sandbox Process may add an "Exit Stage" in the framework. While applicants/Innovators should be providing their exiting strategies at the application stage, the exit stage should aim to lay out to process to follow in case of different exiting scenarios, for example:</p> <ul style="list-style-type: none"> <li>o In case of the test failure, process of meeting all arising obligations</li> <li>o In case of successful test, what conditions would need to be met to launch</li> </ul> <p>d) In case the results of any test eventually require a relaxation of a particular regulation or new enabling regulations, to enable full scale launch, what would be RBI's approach/process in that case?</p> <p>11. Under 9. Disclosure, while the Framework clearly lays out RBI's right to disclosure, it may be useful to add guidance on how successful applicants/innovators can use the Sandbox related information on Innovator's respective websites or other communication channels. RBI may set up a process to vet all the communications related to the Sandbox entrant (related to RS) to safeguard public from any miscommunication on the part of the innovators/applicants.</p> <p>Set 2:</p> <p>There are some areas as noted below that will benefit from some more clarity on the guidance:</p> <p>Objectives:</p> <ul style="list-style-type: none"> <li>- The objectives of the sandbox might benefit from a bit more clarity. They say that it is to ' test new products, services or business models.....that address a problem, or bring benefits to consumers. ' This is fine, but the RBI should consider</li> </ul>



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	<p>tightening this and bringing it more in-line with its objectives as a regulator. For eg. The UK sandbox is particularly created to increase competition which is its secondary objective or the MAS only uses the sandbox to support firms that do not have a current regulatory FM neatly applicable to them- hence directly inline with its role as a supervisor.</p> <p>Eligibility and admissibility criteria:</p> <ul style="list-style-type: none"> <li>- RBI has opened up the sand-box purely to start-ups, and this has a potential to create an unlevel playing field and tends to look at regulation at the level of the entity and not the activity which should be the direction we are moving toward. Moreover, incumbents and those firms that potentially provide services/support to fintech firms should also be allowed to participate in the sandbox, especially if it is for an activity that does not currently have regulation or an activity that supports the theme that is being targeted.</li> <li>- Another reason that supports the opening up of the sandbox to incumbent firms is to facilitate partnerships- which could be an objective of the sandbox exercise.</li> <li>- The note mentions that start-ups above a net worth of Rs50 lakh and with requisite IT infrastructure only 'if the proposed fintech solution should highlight an existing gap in the financial ecosystem and demonstrate how it would address the problem'. Is this the most appropriate way to identity an eligible firm? - focus could be more on the existence of a minimum viable product (MVP) and the readiness to deploy than on the net worth of the firm.</li> </ul> <p>State of the firm while in the sandbox</p> <ul style="list-style-type: none"> <li>- The document could be clearer on the auspices under which the eligible firm is operating under when in the Sandbox. Does it get a 'fintech license' of sorts or does it have a conditional</li> </ul>

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	<p>license that may or may not convert into a full license at the end of the testing period.</p> <ul style="list-style-type: none"> <li>- Although the note, explicitly mentions that legal waivers will not be permitted it does make mention of regulatory relaxations. What kind of regulatory relaxations are allowed? E.g. include reduced capital requirements etc. It is noted in 4.2 that it will follow 'well-defined principles in decision-making' however this is open to interpretation and could be seen as creating an un-level playing field.</li> </ul> <p>Evaluation and Impact Analysis</p> <ul style="list-style-type: none"> <li>- In the interests of transparency, a clear indication of 'what success looks like' should be drawn out.</li> <li>- How will this be fed back to the market or even be used to improve the functioning of the sandbox itself.</li> </ul> <p>Risks and Mitigating measures:</p> <ul style="list-style-type: none"> <li>- The risks and limitations are only explained from the view of the firm. The risks that the RBI themselves or importantly risks to the consumer like privacy of data have not been mentioned here.</li> </ul> <p>Exit strategy</p> <p>An Exit strategy for a sandbox normally has 3 conclusions and they should be considered in the document:</p> <ul style="list-style-type: none"> <li>o Cease and Desist: To stop the functioning of the firm and ensure there is an orderly wind-down esp. with customer liabilities</li> <li>o Full license: to enable the firm to apply for a full license. (Please note that this is only applicable in those cases that, allow firms that already have regulations that pertain to them to operate in the sandbox.)</li> <li>o Initiate a change of regulation.</li> </ul> <p>Relationship with other regulators:</p>



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	<p>- [REDACTED] [REDACTED] [REDACTED]</p> <p>Especially in light of the IRDAI sandbox as well as the imminent SEBI one, as the important point that a number of the fintech companies rarely work in only one vertical (i.e. payments or lending) but tend to cross into a number of the different verticals as the business matures hence falling under the regulatory jurisdiction of potentially more than one department or regulator.</p> <p>- An inter-regulatory working group will be a good forum for exchange.</p> <p>Other comments:</p> <ul style="list-style-type: none"> <li>- The benefits of the sandbox mention feedback from the customer being used to influence both the regulator and the innovator. How is this feedback going to be collected/monitored?</li> <li>- The paper could provide more information on what may/may not be published publicly. For e.g. in UK, the results of the Proofs of concept would be published publicly on the Regulator website.</li> <li>- Further the FCA lists all the companies that are admitted into the sandbox, while the DFSA (Dubai) does not- they have both clear reasons for why they have chosen that path.</li> <li>- Other than the for the regulatory relaxations that the regulator provides, there does not appear to be any support mentioned (e.g.- continued supervisory support etc.) that the sandbox provides to the firms.</li> </ul>

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	<p>we see the proposed framework to implement a regulatory sandbox as very welcome and opportune. We thank you for the opportunity to comment on it and have attached these comments for your consideration.</p>		
	<p>We look forward to the opportunities that the proposed Sandbox will provide to accelerate growth in financial services, especially within the financially excluded sector.</p>		
	References	Provisions	Comments
6.2	Regulatory Requirements/ Relaxations for Sandbox Applicant	<p>Globally, we have seen RS's have a mandate to relax both statutory and regulatory requirements. This has been successful in creating a conducive environment to test new business models in a safe and secure manner before rolling them out at scale.</p> <p>From an RBI perspective, we see this as an opportunity to facilitate low cost learning of non-Indian resident innovations that may have significant application to the Indian markets. FinTechs would not need to comply with all statutory requirements, before entering the sandbox to test,</p>	



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			<p>reducing the barriers to leveraging the sandbox for learning.</p> <p>Other than the requirement that is specifically requested from the FinTech to be exempt from, this will not preclude the FinTech from complying with all other statutory and regulatory requirements of delivering that financial service in India.</p>
	6.4	Number of FinTech Entities to be Part of a Cohort	<p>A clarification may be provided on the composition of the Cohort. While it is mentioned that the RS shall begin with 10-12 entities, it is not clarified whether this is the overall number for the sandbox or the number per cohort for each of the thematic areas such as financial inclusion, payments and lending and digital KYC, etc.</p> <p>We would also submit that communication regarding the anticipated timing and regularity of the cohort intake (after the first intake) would assist users when planning to enter the RS to test new functionality. This may clarify accessibility to the RS for potential users who have been excluded from the initial cohort, or are not in the position to submit an application timeously for the first cohort application.</p>
	7.2.4	Testing (12 weeks)	<p>It is understood that a Company in the regulatory sandbox shall effectively operate for a period of 12 weeks, and the other stages will account for administrative and assessment purposes.</p>

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			<p>It is submitted that a period of 12 weeks may be too limited for a company to prove the impact of the solution with the concomitant relaxations in policies. For example, long term lending solutions or leveraging new-to-market Machine Learning capabilities to prove credit scoring accuracy for consumers may require a longer sandbox period to evaluate the potential risk of the new solution.</p> <p>Furthermore, in order to allow a Company to enable multiple stages of test &amp; learn without re-applying to the RS (with the concomitant risks associated with not receiving approval back into the sandbox), Companies may benefit from testing for more than the 12 weeks in order to have sufficient test and learn cycles to meet the Exit objectives of the RS.</p> <p>Therefore, it is proposed that the period for testing may suitably be extended on a case by case basis to accommodate the effective evaluation of the Exit criteria be considered. Suitable incentives to exit the RS efficiently (such as limitations to the size of pilot etc.) should be set by the RBI to ensure efficient use of the RS.</p>
	Thank you for your consideration of our comments.		



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12	<p>Entity 12 welcomes the opportunity to comment on the Draft Enabling Framework for Regulatory Sandbox (the Framework).</p> <p>We completely support the governmental efforts in creating and enabling regulatory environment through updating obsolete regulations, streamlining existing regulations and creating flexible frameworks, such as regulatory sandboxes to drive innovation. [REDACTED]</p> <p>[REDACTED] we are glad to enclose a few points for your consideration.</p> <p>The Reserve Bank of India's proposed framework for a Regulatory Sandbox is an important and progressive step for fintech innovation in India, leading to greater financial inclusion and acceleration of digital payments. We deeply appreciate the consultative approach, allowing industry and other stakeholders to share feedback.</p> <p>We hope that the sandbox will be opened up for wider participation, and some of the terms, such as the 26-week end to end period specified (which may be difficult to adhere to for complex products launched for different markets and languages within India) may be relaxed. We would also suggest that the Regulatory Sandbox be opened to other areas, especially those supporting financial inclusion (e.g. credit information/analytics) and not be restricted to a set mandate. Given the need for reaching the last mile, balancing safety and security and at the same time driving inclusive growth, it would be pertinent to welcome all types of innovation. Once innovations have been tried and tested, the country would then actually have a bouquet of solutions which could be chosen to further its ambitions to move towards a less cash society.</p> <p>May we submit the following three specific suggestions for the RBI's kind consideration.</p> <p>□ In its present form, only start-ups are proposed to be allowed to participate in the Regulatory Sandbox. This excludes collaborative innovations from startups working along with incumbents with global</p>

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	<p>/ local expertise and platforms, some of them already with investments in innovative Indian fintech start-ups. Some startups leverage current, mature technology and expertise of incumbents and build solutions around that. Other startups may wish to aim for global market access via such partnerships. Regulatory sandboxes in the EU, Canada and other nations allow incumbents. Hong Kong allows only established companies to participate in its regulatory sandbox. Our recommendation is to focus on innovation being developed and created for India, without filtering it based on the nature of the firm innovating. By limiting the Sandbox to only specific start-ups, may result in forcing these startups to perform build solutions from the grounds up rather than building on top of solutions already available – which may be a futile exercise. Thus, the focus needs to be on the solution and innovation.</p> <p>□ We do not have clarity on the legal relaxation that would be provided to fintech companies during the sandbox period. The framework refers to the inability of RBI to offer any legal waivers. Since regulatory relaxation is a necessary condition for sandbox experiments and it is a form of limited waiver, we are unclear as to what form of “legal waivers” are excluded. Typically, fintech regulations would be relaxed in a regulatory sandbox, while other laws of the land would still apply, and this should be clarified.</p> <p>□ Confidentiality and Privacy: Given the applicant may be asked to share PoC results, and the RBI would monitor the empirical results during the testing through the Fintech Technology Unit, we suggest an assurance of data confidentiality and privacy, especially in light of the upcoming Personal Data Protection Bill. In regards to the statement “RBI reserves the right to publish any relevant information for the purposes of knowledge transfer”, we request a clarification that such publication will be of aggregated data only, with specific product data and customer data redacted.</p>



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	<p>Restrictions and requirements: The framework mandates declaring "an acceptable exit and transition strategy" (6.5.6) in case the pilot service has to be discontinued. This could be a problematic clause as</p> <p><input type="checkbox"/> Restrictions and requirements: The framework mandates declaring "an acceptable exit and transition strategy" (6.5.6) in case the pilot service has to be discontinued. This could be a problematic clause as</p> <p><input type="checkbox"/> companies usually try sandboxes for business ideas that don't really have a conclusive exit plan. To force an exit plan for a startup, say, a product that is at beta stage, seems to be an overkill.</p> <p>The framework also makes it mandatory for companies to share the "results of proof of concept (PoC) testing of use cases" before entering the fintech sandbox. By virtue of its nature, a regulatory sandbox is supposed to provide a test bed for ideas that make take a lot of time to mature; and those final ideas may actually get tweaked from what the original idea was. Thus requiring all of them to have a tested POCs first, apart from a clear exit strategy, is presumptive and restrictive of innovation.</p> <p>Thank you again for the opportunity to share our suggestions, and we look forward to the RBI's Regulatory Sandbox being notified as soon as possible, after factoring in stakeholder feedback.</p>
13	<p>Thank you for initiating a process to set up a framework for regulatory sandboxes to spur FinTech innovations in India, and for considering suggestions on this framework from various stakeholders.</p> <p>Please see attached Entity 13 suggestions in respect of the Draft Enabling Framework for Regulatory Sandbox, as issued by the RBI on April 18, 2019 ("RS Framework"). We hope that you find our suggestions helpful.</p> <p>Please do reach out to us if would like to discuss our suggestions or need any assistance in relation to the matters set out in the RS Framework or our suggestions.</p>

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	<p>KEY OBSERVATIONS AND SUGGESTIONS</p> <p>1. The RS Framework as an umbrella regulation</p> <p>We understand that the RS Framework is proposed to be a regulation for setting up of regulatory sandboxes for market participants to test innovative FinTech products in a controlled environment to reduce the lag between innovation in financial services and regulation of such financial services. To fully access the innovative potential of such 'safe spaces' for offerings which could further financial inclusion, we believe that additional detailing on certain aspects of the RS Framework would be useful. Further, sandbox specific norms should also be formulated the outline of which may be laid out in the RS Framework. With this background, please see below a few suggestions for your consideration.</p> <p>1.1 RS Framework and Sandbox Norms</p> <p>While we recognise the need for the RS Framework to be broad in scope and vest the RBI with discretion in regulating each sandbox, we believe a few aspects within the RS Framework may be captured in greater detail. To this extent, the RBI may consider adopting an umbrella legislation approach to the RS Framework where the RS Framework provides broad contours of set up, operationalisation, functions, supervision and winding-up of sandboxes. Specific rules and norms for each sandbox ("Sandbox Norms"), within the broad contours mentioned above, can be stipulated separately.</p> <p>(a) Some key aspects that may be addressed in greater detail in the RS Framework include:</p> <p>(i) the legal provisions vesting the RBI with the mandate to put in place the RS Framework (RBI may consider referring to specific statutory provisions empowering RBI to put in place the RS Framework and the Sandbox Norms, to avoid challenges to the legality of such regulations); and</p> <p>(ii) the various modes for issuance of Sandbox Norms, which could include:</p>



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	<p>A. open bids or a tender process being conducted setting out the rules applicable to the cohort under such tender; or</p> <p>B. inviting expressions of interest for participation in the sandbox on an invite-only basis with specific Sandbox Norms laid down in the request for such expression of interest; and</p> <p>(b) The contents of the Sandbox Norms themselves would vary for each sandbox while operating within the RS Framework.</p> <p>1.2 Fintech Unit (FTU)</p> <p>The RS Framework makes a reference to the constitution of an FTU, which will oversee the sandbox process. However, the RS Framework does not set out the manner of constitution, or the powers, functions and responsibilities of the FTU. In this regard, we suggest that the FTU be constituted as a two-layered structure, with a governing council and a sandbox-specific sub-committee (The HFC had also recommended a similar layered-structure for the regulatory body in-charge of regulatory sandboxes. See Appendix G, 'Blueprint for a Regulatory Sandbox', Report of the HFC). The RS Framework may therefore specify:</p> <p>(a) The constitution of, and the powers and functions of the governing council in relative detail, which may include:</p> <p>(i) criteria to determine membership to the governing council, along with restrictions, if any, on the tenure of each member (Suggestions of the HFC on the constitution of a sub-committee having representation from multiple financial regulators and technical experts may also be considered. See Appendix G, 'Blueprint for a Regulatory Sandbox', Report of the HFC); and</p> <p>(ii) key functions and powers of the governing council which may include:</p> <p>A. drafting and issuing the Sandbox Norms,</p> <p>B. finalisation of participants in a sandbox based on recommendations of or a preliminary assessment undertaken by a sub-committee,</p>

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	<p>C. research, development and market study for identifying new areas for sandboxes,</p> <p>D. collaboration with facilitation service providers such as technical consultants, lawyers, accountants, etc., and</p> <p>E. determining applicability of existing regulations or relaxation thereof to a cohort.</p> <p>(b) The constitution of, and powers and functions of each sub-committee in broad strokes, which may include:</p> <p>(i) the manner of constitution and criteria for membership to the sub-committee. While, actual members of each sub-committee may be notified in the Sandbox Norms, the RS Framework may state that each sub-committee may comprise of:</p> <p>A. one or more member of the governing council,</p> <p>B. members of industry, academia, think tanks, and other stakeholders, and</p> <p>C. representatives of other financial regulators, in case of cross-sectoral sandboxes. Since the RS Framework makes references to FinTech offerings that cut across different regulatory regimes that may be tested in a sandbox, we recommend that the sub-committee be constituted to enable interaction of different regulators. [Note: Please refer to our suggestions in paragraph 3 below, in respect of holistic functioning of the sub-committee.]; and</p> <p>(ii) key functions of the sub-committee which may include:</p> <p>A. assessment of applications for participation in the sandbox,</p> <p>B. consultation and interaction with applicants,</p> <p>C. finalisation of recommendations to the governing council on potential participants in the sandbox,</p> <p>D. supervision, monitoring and testing during the sandbox,</p> <p>E. monitoring adherence to the Sandbox Norms by each participant,</p> <p>F. winding up of the sandbox,</p> <p>G. grievance redressal, and</p>



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	<p>H. collaboration with facilitation service providers such as technical consultants, lawyers, accountants etc. at a cohort level.</p> <p>(iii) Further detailing of the powers, functions and responsibilities of each sub-committee could be addressed in the relevant Sandbox Norms.</p> <p>(c) Additional responsibilities of the governing council</p> <p>To enable creation of sandboxes that respond to the pace of FinTech innovations in the market, the governing council of the FTU may be endowed with the authority to gather information regarding such innovations. To this extent, the governing council could be provided access to data from other departments within the RBI. Further, the governing council could also spearhead a consultative law-making process by seeking public comments on white papers or draft regulations prepared using evidence gathered from a successful sandbox.</p> <p>(d) Additional responsibilities of the sub-committee</p> <p>Since the sub-committee will be involved in assessment of applicants, it is well placed to recommend relaxations, if any are required for the cohort, during the sandbox period. Further, since the sub-committee would have observed the impact of the existing regulations on offerings tested in a sandbox in real time, the sub-committee may be made responsible to draft or amend regulations for the post-sandbox period, which may then be considered by the governing council and other departments of the RBI.</p> <p>2. RS Framework as delegated legislation</p> <p>2.1 RBI may consider referring to specific statutory provisions empowering RBI to put in place the RS Framework and the Sandbox Norms. This may aid in avoiding challenges to the jurisdiction of RBI to create and effect such regulations.</p> <p>3. Cross-sectoral sandboxes</p> <p>3.1 The RS Framework seeks to cover a wide range of services and products within its ambit, some of which may be regulated by multiple</p>

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	<p>regulators (Paragraph 3.3 of the RS Framework notes that financial inclusion can be one of the objectives of regulatory sandboxes, with micro-insurance being a potential area that can be explored. Further, paragraph 6.1.1 of the RS Framework lists down financial advisory services and wealth management services as indicative financial services to be considered for testing under a regulatory sandbox. Insurance and investment advisory services usually come under the ambit of IRDA and SEBI, respectively). We note a great deal of convergence in several services and offerings presently in the market, which in turn may require convergence of regulatory oversight as well. In this regard, we would welcome the RBI adopting a cross-regulatory approach in the RS Framework and the relevant Sandbox Norms.</p> <p>4. Parameters for selection of applicants</p> <p>4.1 The eligibility criteria for applicants, in respect of each cohort, may be made broader. We believe that eligibility to a sandbox should not be contingent on the type of entity (The HFC in its report notes that regulations pertaining to sandboxes should be entity-agnostic. The Watal Committee, constituted by the Ministry of Finance to study the digital payments ecosystem in India, too recommended creation of regulatory sandboxes to foster innovation, and was silent on entity-specifications for participants in such sandboxes). Restricting participation in regulatory sandboxes only to start-ups excludes ventures that have a significant presence or net worth seeking to roll out FinTech innovations. As a result, we believe that sandboxes could be a great opportunity for financial landscaping in India and attracting investments (domestic and foreign) in financial services.</p> <p>4.2 Further, paragraph 2.2 of the RS Framework presumes that products and services sought to be tested in a sandbox have not yet been launched in the market. Such a requirement, in our opinion, takes away from the RBI's ability to regulate products and services that have already been launched in the market. The RS Framework</p>



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	<p>could look to enable the RBI to mandatorily move an offering already launched in the market into a sandbox, especially where the offering is unregulated or entails perceptible risk to consumers.</p> <p>5. Timelines for stages of sandbox process</p> <p>5.1 The identification of different stages within the sandbox process in the RS Framework is welcome. However, we recommend that the RS Framework not stipulate exact timelines required for each stage. Timelines specific to each stage may instead be mentioned in the Sandbox Norms. This would also give the RBI flexibility to suggest different timelines for the same stage in respect of different sandboxes.</p> <p>6. Regulations applicable during and post sandbox</p> <p>6.1 Applicability of extant regulations during sandbox</p> <p>(a) As mentioned in paragraph 1.2(d) above, the sub-committee may make recommendations on applicability or relaxations of existing regulations to the governing council.</p> <p>(b) Further, we believe that the sub-committee should keep track of all applicable regulations to a cohort. While a list of such regulations may be sourced from applicants, reliance should not be placed exclusively on such crowd-sourced information. Alternatively, the FTU may consider empanelling advisors (such as technical consultants, accountants and lawyers) and offering their services to applicants.</p> <p>(c) In case of cross-sectoral sandboxes, the RS Framework may include provisions whereby the RBI may consider liaising with other regulators, to enable relaxations from regulations made by such regulators. The extent, manner of and the process for this may be covered in the Sandbox Norms.</p> <p>6.2 New regulations post sandbox</p> <p>(a) The RS Framework should enable the governing council to propose regulations on offerings tested within a sandbox.</p>

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	<p>(b) Further, timelines as the RBI deems fit, within which such regulations may be implemented could be specified in the Sandbox Norms, as these timelines would need to be sandbox specific.</p> <p>7. Liability of applicants in respect of consumer risks</p> <p>7.1 Each sandbox launched by the FTU should have a corresponding liability model for mitigating business and consumer risks. The following models, in our view, may be considered:</p> <p>(a) no-waiver model, where the customers are entitled to all protection available under law, and all customer losses are made good by the applicant. This is the only model proposed in the RS Framework;</p> <p>(b) consent-based model, where customers specifically consent to waiving all rights and remedies available to them in respect of losses suffered by them; or</p> <p>(c) trust-fund or cohort insurance model, where a fund is created with contributions from each member of a cohort. The FTU may determine (or cap) the liability of each participant in a sandbox or may, in specific situations, mandate payment of insurance proceeds from out of the fund.</p> <p>7.2 For each sandbox, the sub-committee may recommend adoption of a specific liability-model to the governing council. The final decision of the governing council, could be based on, among other factors, the probable systemic risks inherent to the offering being tested.</p>



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14	<p>We appreciate the RBI for taking the initiative of setting up a framework for Regulatory Sandbox which enables significant opportunity to ecosystem participants to 'test' their offerings and solutions. This also allows for regulatory oversight in a controlled manner for an initiative which depends on an innovation. This is an approach akin to similar such initiatives across the world.</p> <p>While this step is certain to give a fillip to the Fintech industry in India, we feel that there are certain areas where the scope of Regulatory Sandbox can be modified.</p> <p>Clause 6.5.1: Eligibility Criteria:</p> <p>The Draft Framework limits participation in the RS to 'startups' as defined in DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. By definition this excludes any company that has revenues of over Rs. 25 crore or is more than 7 years old.</p> <p>Suggestion:</p> <p>Our suggestion is that companies with any vintage or revenue should be allowed to participate in the Regulatory Sandbox:</p> <ol style="list-style-type: none"> <li>1. Regulator should provide equal opportunity to all players in the ecosystem to participate. The best possible propositions should be chosen.</li> <li>2. Innovation can come from larger companies as well and is not limited only to startups (as defined in DIPP).</li> <li>3. Larger companies will have a larger canvas and coverage of the segment which is being targeted for the solution along with possibly greater experience and knowledge of the segment. Larger companies will also have wider customer base with larger geographic spread across heterogeneous demographics. Hence, the reach of the POC will be wider and could be tested across a larger cross section of users.</li> <li>4. Larger companies probably have greater risk management visibility and appetite. They would also have more willingness and</li> </ol>

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	<p>ability to invest deeply in creating the infrastructure needed for the POC.</p> <p>We would request the RBI to consider the above suggestion and allow wider participation from organisations.</p> <p>Also, we suggest that post completion of the POC, respective regulator(s) should facilitate smoother continuation/ exit of the incubation, minimizing any impact of the experiment on consumer/entity/regulatory systems and others as may have been exposed during the trial period.</p>
15	<p>We refer to the recent draft for "Enabling Framework for Regulatory Sandbox" dated April 18, 2019. We appreciate the new initiative of Reserve Bank of India for taking initiative to regulate and promote Fintech business in India. We have reviewed the draft Sandbox regulatory framework and following are our comments:</p> <p><b>Entity 15 Comments:</b></p> <p><b>Background:</b></p> <p>Globally, international financial centres have Fintech Sandbox regulations such as DIFC in Dubai, Singapore, Abu Dhabi Global Markets, Astana International Financial Centre (AIFC) etc. The Fintech policy for global financial centres have inherent advantage ease of regulations, tax incentives, access to global markets as well as domestic market. These advantages would help to attract global fintech companies to enter India and would also help domestic companies to promote the products globally.</p> <p><b>Proposal:</b></p> <p>The Framework for Regulatory Sandbox may also be extended to</p> <p><b>Entity 15</b> [REDACTED]</p> <p>[REDACTED]</p>



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	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>We would be happy to provide detailed document or present our proposal to committee if required.</p> <p>[REDACTED]</p>
16	<p>We on behalf of Entity 16 commend the Reserve Bank of India (RBI) for issuing a draft framework that seeks to operationalize Regulatory Sandbox (RS) mechanism in India, which marks a shift to a more forward-oriented yet evidence-driven regulatory framework.</p> <p>We support the idea to allow experimentation and to facilitate FinTech innovation through RS, while limiting risks to consumers and financial ecosystem. We believe that the RS can be a powerful tool to enable India's next-generation innovation in FinTech and financial inclusion imperatives. While the RBI's efforts represent an important step in spurring the FinTech innovation in India, the scope of the RS seems a bit narrow, and there is an opportunity for further reform and simplification.</p> <p>Attached are the suggestions, recommendations and certain clarifications on the draft framework for your kind consideration.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>We would be happy to personally present our submission in detail, whenever required.</p> <p>Entity 16, [REDACTED], would like to thank RBI for this opportunity to put forth their thoughts and insights on Draft Framework for Regulatory Sandbox (draft) for the kind consideration of RBI.</p>

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	<p>We commend the RBI for setting up an Inter-Regulatory Working Group on FinTech in July 2016, which published its report in February 2018 recommending the RBI to launch a Regulatory Sandbox (RS) for FinTech entities. We further appreciate RBI for its positive response on that recommendation and release of the draft framework in April, 2019 that seeks to operationalize RS mechanism in India. We believe that this step may proceed to mark a shift to a more forward-oriented yet evidence-driven regulatory framework. Regulators across the globe have already adopted such a "test and learn" approach to stay ahead of the curve and make rapid data-driven decisions.</p> <p>Moreover, we support the idea to allow experimentation and to facilitate FinTech innovation through RS, while limiting risks to consumers and financial ecosystem. We believe that the RS can be a powerful tool to enable India's next-generation innovation in FinTech and financial inclusion imperatives. While the RBI's efforts represent an important step in spurring the FinTech innovation in India, the scope of the RS seems a bit narrow, and have opportunity for further reform and simplification.</p> <p>Also, it seems that there is a primary focus on regulatory v/s business innovation or co-creation and it somewhere lacks to address major design challenge of the other RS. Hence, long term vision of business led innovation must be explicitly included. Further, the product lifecycle governance needs to be established as the current lifecycle stages less correspond to the innovation and co-creation, instead they talk about standard waterfall steps.</p> <p>Thus we hereby place our suggestions and recommendations to RBI for its kind consideration.</p> <p>Entity 16</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>



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	<div data-bbox="437 255 1361 613" style="background-color: black; height: 160px; width: 100%;"></div> <p data-bbox="437 613 1361 1599">RS is a framework set up by a sectoral regulator to allow small scale, live testing of innovations by the firms in a controlled environment (operating under a special exemption, allowance or other limited, time-bound exception) under the regulator's supervision. This concept was recently developed when there started a rapid technological innovation in financial markets as an attempt to address the frictions between regulators' desire to encourage and enable innovation and the emphasis on regulation. RS introduces the potential to change the nature of the relationship between regulators and financial services providers (regulated or aspiring) towards a more open and active dialogue. It may also enable the regulator to revise and shape the regulatory and supervisory framework with agility. In 2015, the U.K. Financial Conduct Authority (FCA) coined the term "Regulatory Sandbox" (FCA 2015). A sandbox-like framework was also set up by the U.S. Consumer Financial Protection Bureau (CFPB) in 2016 under the name Project Catalyst (CFPB 2016). Since then, the concept has spread across many countries like Abu Dhabi, Sierra Leone, Australia, Malaysia, Singapore etc. setting up more than 20 RS.</p> <p data-bbox="437 1599 1361 1756">Below mentioned is our seriatim submission containing suggestions, recommendations and clarifications on the draft for the consideration of the RBI.</p> <p data-bbox="437 1756 1361 1935">1. The Regulatory Sandbox i.e. clause 2.1 describing that ".....The RS allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the</p>



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	<p>customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks....." read with Objectives i.e clause 2.2 which reads that the ".....The RS provides an environment to innovative technology-led entities for limited-scale testing of a new product or service that may or may not involve some relaxation in a regulatory requirement before a wider-scale launch. ...." further read with Regulatory Sandbox: Risks and Limitations i.e. clause 4.1 communicating that".....Innovators may lose some flexibility and time in going through the RS process (but running the sandbox program in a time-bound manner at each of its stages can mitigate this risk)." Here, financial service provider is being defined as potential deployers of the technology and in some other clauses as innovators of the technology. The role of the financial service provider in this mix is not properly defined. Clarification on who are these technology led entities may further be required. Word innovators is also being used in the draft but the same has not been defined too. Are innovators the same as innovative technology led entities or financial service providers? Looking at the industry as it is today, innovators are very different from financial service providers. Innovators give the financial service providers the technology-led products and services to perform their financial services and carry out business plans. Recommendations:</p> <ul style="list-style-type: none"> <li>▪ It is very important to demarcate the entities who will be; and should be allowed to test new products and services in the RS.</li> <li>▪ Hence may we request the RBI to provide the proper definitions to the words used interchangeably at various places such as innovator, technology led entities, potential deployers of technology and financial service providers for the sake of bringing clarity that who may or may not apply to the RS.</li> </ul> <p>2. The Regulatory Sandbox</p>

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	<p>Clause 2.1 reads that ".....It can provide a structured avenue for the regulator to engage with the ecosystem and to develop innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products....." We are hopeful that as mentioned in the draft, delivering low cost products may not be the only objective of the innovators. Some of the innovators may want to work on medium cost but high efficiency products to cater to a niche market segment.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>▪ Thus, it should not form the only and mandatory criteria for selection of the products/ services/ proposals. Bringing cost effectiveness to the existing procedures may be one of the norms for such selection. The framework for the RS should be developed through a principle based approach. The RS should adopt: "promoting competition, efficiency and innovation in the FinTech industry while protecting consumer's safety" as its core principle.</li> </ul> <p>3. Objectives</p> <p>Clause 2.2 reads that ".....The RS provides an environment to innovative technology-led entities for limited-scale testing of a new product or service that may or may not involve some relaxation in a regulatory requirement before a wider-scale launch....." However, clause 8.2 reads as ".....Upon successful experimentation and on exiting the RS, the sandbox entity must fully comply with the relevant regulatory requirements....." Both the clauses read together creates confusion in the mind of the reader as well as an applicant. The intent of this draft is to see whether a new product or service, if is serving the mass purpose of financial inclusion or requires any amendments or modifications in the current regulations.</p> <p>If a new product or service is being tested under the impression that, for a wide scale launch of this product, some regulations may require changes, and after a successful testing, the applicant has to again</p>



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	<p>fall back on the existing regulations, the objective of the both the applicant and the RS will not be served</p> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>▪ Hence we request the RBI to modify the language to best accommodate the desired intentions of RS.</li> <li>▪ Also, the steps to be taken after a successful testing of a product or service for a wide-scale launch and RBI's role in the same may be included in the draft.</li> </ul> <p>4. Regulatory Sandbox: Benefits</p> <p>Clause 3.4 reads "..... Fourth, by providing a structured and institutionalized environment for evidence-based regulatory decision-making, the dependence of the regulator on industry/stakeholder consultations only is correspondingly reduced....."</p> <p>In order to ensure greater transparency in regulatory development process through RS, RBI should not de-prioritize public consultation. For example, in Australia, the PSR Act requires the PSB to conduct public consultations in matters where it proposes the imposition or variation of an access regime or standard. In particular, the PSB is required to publish a notice summarizing the purpose and possible effects of its actions, invite people to make submissions within a specified time and consider any submissions that are received. Moreover, the PSB is also bound by general notification obligations, which require it to publish notice, and ensure that participants in the payment system are informed of actions involving the imposition or variation of an access regime or standard.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>▪ Based on the global practices, RBI must adopt the policy of public consultation while changing/ amending the extant regulations which may serve as an important component in terms of regulatory development process adopted by the RS.</li> </ul> <p>5. Regulatory Sandbox: Risks and Limitations</p>

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	<p>Clause 4.3 reads ".....The RBI or its RS cannot provide any legal waivers.....". As RS allows the FinTech entities to operate in a controlled environment, it is crucial that they are granted relaxations, dispensations and waivers from certain legal regulations. RS throughout the world are premised on such relaxations and waivers. While some regulators grant blanket waivers, others permit specific relaxations with regard to identified legal regulations or through waiver or no-action letters (NALs) on a case-to-case basis.</p> <p>The Consumer Finance Protection Bureau in the United States issues NALs to the entities in a sandbox that offers the latter, a protection against any adverse regulatory action during the period of the sandbox. Similar certainty of the ring-fence would be of critical importance if the RS framework is to facilitate innovation. This will enable them to test their products and services without fear of legal sanctions. No FinTech entity will be willing to enter the sandbox without regulatory assurance that safeguards it from adverse legal actions while in the controlled environment.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>▪ It is thus recommended that RBI offers legal protection to participants in a sandbox through formal No Action Letters (NALs) valid for the duration for which the participants are in the sandbox testing in the controlled environment, at least for the laws under the jurisdiction of RBI/ regulations issued by RBI.</li> <li>▪ This would also help in ensuring that RBI's intent of allowing certain relaxations (as contemplated under clause 4.2) are uniformly communicated in the draft.</li> </ul> <p>6. Sandbox Cohorts and Product/ Services/ Technology</p> <p>Clause 6.1 reads ".....An indicative list of innovative products/ services/ technology which could be considered for testing under RS are as follows.</p> <p>Innovative Products/ Services</p> <ul style="list-style-type: none"> <li>• Retail payments</li> </ul>



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	<ul style="list-style-type: none"> <li>• Money transfer services</li> <li>• Marketplace lending</li> <li>• Digital KYC</li> <li>• Financial advisory services</li> <li>• Wealth management services</li> <li>• Digital identification services</li> <li>• Smart contracts</li> <li>• Financial inclusion products</li> <li>• Cyber security products</li> </ul> <p>Innovative Technology</p> <ul style="list-style-type: none"> <li>• Mobile technology applications (payments, digital identity, etc.)</li> <li>• Data Analytics</li> <li>• Application Program Interface (APIs) services</li> <li>• Applications under block chain technologies</li> <li>• Artificial Intelligence and Machine Learning applications.....”</li> </ul> <p>We acknowledge the fact that RBI is being liberal and open to technological enhancements and advancements and in the light of same has declared all the above mentioned items in the list as only indicative. To add, there are various other fields and technology oriented areas where the innovators may be willing to participate and contribute. We are positive that the aforementioned list is not exhaustive in nature and the applications shall be given approval to participate on the basis their credentials and ability to bring transformation in existing mechanisms. We are also hopeful for the kind cooperation from RBI in considering the applications containing items/ proposals over and above this indicative list.</p> <p>7. Regulatory Requirements/ Relaxations for Sandbox Applicant</p> <p>Clause 6.2 reads “.....The RBI may consider relaxing, if warranted, some of the regulatory requirements for sandbox applicants for the duration of the RS on a case-to-case basis. However, regulatory requirements that shall mandatorily have to be maintained by the applicants are as follows:</p>

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	<ul style="list-style-type: none"> <li>• Customer privacy and data protection</li> <li>• Secure storage of and access to payment data of stakeholders</li> <li>• Security of transactions</li> <li>• KYC/ AML/ CFT requirements</li> <li>• Statutory restrictions .....</li> </ul> <p>Among others, the draft includes statutory restrictions as one of the mandatory limitations which brings it parallel to the existing entities outside RS which are still supposed to follow all the regulations. Further, the list provided in clause 6.1 includes many areas where tests may be carried out in RS but the same regulatory requirements are asked here in clause 6.2 to be fulfilled and followed. For Instance, clause 6.1.1. has included Digital KYC as well as Digital Identification Services under innovative products / services to be introduced. However, under clause 6.2, there is a clear mention that mandatory requirement would regulatory requirements of KYC. That is somehow contradictory in nature and would destroy the utility and innovation around digital KYC.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>▪ Hence we request RBI to only restrict the entities registered in RS to the most important regulations and relax the other statutory conditions for greater participation, innovation &amp; solutions.</li> <li>▪ RBI may also provide waiver/ relaxation in certain conditions to those who are testing the same regulatory products such as Digital KYC under the controlled and supervisory requirements.</li> <li>▪ RBI may also provide an indicative list of areas where regulatory relaxations could be provided under the RS.</li> </ul> <p>8. Exclusion from Sandbox Testing</p> <p>Clause 6.3 reads ".....An indicative negative list of products/ services/ technology which may not be accepted for testing is as follows....."</p> <ul style="list-style-type: none"> <li>• Credit registry</li> <li>• Credit information</li> </ul>



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	<ul style="list-style-type: none"> <li>• Crypto currency/ Crypto assets services</li> <li>• Trading/investing/settling in crypto assets</li> <li>• Initial Coin Offerings, etc.</li> <li>• Chain marketing services</li> <li>• Any product/ services which have been banned by the regulators/Government of India..."</li> </ul> <p>RS should ideally adopt a blue sky approach that helps to generate ideas for products and services in the FinTech space without any limitations.</p> <p>Moreover, one of the restricted items contain credit information. Given that credit remains under-penetrated in our economy, (a recent study released by Omidyar- BCG estimates that 40% of the MSME lending is through informal money markets), this exclusion will foreclose innovation for companies planning to offer credit-decisioning basis an alternative data points. In addition, the current structure of getting a credit from lending institutions itself is a catch-22 situation for customers and this credit information framework needs to be disrupted so that pure financial inclusion can be pursued in totality. Excluding credit information will remove the possibility of making digital lending more digital and sophisticated.</p> <p>It is pertinent to note that the UK's Financial Conduct Authority (FCA) also does not provide any such negative list of products/ services/ technology for sandbox participation.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>▪ To create more innovative and cost-effective solutions which may fill the existing gaps, it is requested to the RBI that any restriction should not be put on the participation of any product/ service/ technology in the RS, as long as it has not been prohibited under any law.</li> </ul> <p>9. Number of FinTech Entities to Be Part of a Cohort</p> <p>Clause 6.4 reads as ".....The RS shall begin the testing process with 10-12 selected entities through a comprehensive selection</p>

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	<p>process as detailed in the framework under 'Fit and Proper criteria for selection of participants in RS.....' The approach of RBI for selection of 10-12 entities in a cohort to initially start with is praiseworthy but in some of the cases more entities may like to participate. Recommendation: ▪ Thus, we request RBI to keep the approach flexible on case to case basis.</p> <p>10. Fit and Proper Criteria for Selection of Participants in RS</p> <p>Clause 6.5.1 (a) reads that ".....The entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. ...." It has been restricted to start-ups as defined by the Department of Industrial Policy and Promotion (DIPP). Thus, large and well-established entities in the financial sector that do not qualify as start-ups cannot utilize the sandbox mechanism, even though they are actively engaged in technological and financial innovations. It is important to recognize that it is not necessary to be a start-up company to innovate in the financial services industry. Restrictions of this nature takes away the opportunity of collaborative innovation between the incumbents and start-ups. Countries like Hong Kong, Canada, EU, Malaysia, Abu Dhabi, Singapore, Australia, Thailand and Bahrain have allowed participation of traditional players in their respective RS, along with the FinTechs. A huge swathe of work today is through strategic partnerships between mature and young FinTech entities on the one hand and incumbents such as Banks on the other, both locally and globally.</p> <p>Recommendation:</p> <p>▪ To foster innovation and promote strategic relationships, it is requested to the RBI that the ambit of the RS should be widened to allow participation of start-ups and incumbents or early stage innovation applications.</p> <p>Clause 6.5.1 (e) reads that "..... A satisfactory CIBIL or equivalent credit score of the promoter(s)/director(s)/ entity is required....."</p>



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	<p>Seeking a “satisfactory” CIBIL or equivalent score of the applicant's promoters/ directors, is unduly restrictive. There are other ways in which an entity's (applicant's) risk towards its counterparties and consumers can be secured. One is already hard-wired through net-worth Rs 50 lakh requirement. Recommendation:</p> <ul style="list-style-type: none"> <li>▪ This should be reconsidered as the net-worth Rs 50 lakh requirement is already hard wired.</li> </ul> <p>Clause 6.5.1 (f) reads that the “.....Applicants should demonstrate that their product is technologically ready for deployment in the broader market.....”.</p> <p>The clause above is open to several interpretations. We are hopeful that the intention of the regulator with the above clause is that the applicant's technology is sound and scalable, whenever required to be deployed in the broader market and the applicant can demonstrate the same.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>▪ We request RBI to explain this clause in detail/ issue clarification as this condition can impose a significant burden on start-ups, if the technology has to be deployable with an inhibiting regulation before entering the RS</li> </ul> <p>11. Fit and Proper Criteria for Selection of Participants in RS i.e clause 6.5.7 which proposes “.....The applicants shall be required to share the results of Proof of Concept (PoC)/ testing of use cases including any relevant prior experiences before getting admission into RS for testing, wherever applicable.....” read with End-to-End Sandbox Process i.e. clause 7.1 which reads “.....A detailed end-to-end sandbox process, including the testing of the products/ innovations by FinTech entities, shall be overseen by the FinTech Unit (FTU) at the RBI.....” further read with Disclosure i.e. clause 9 which proposes that “.....The RBI shall reserve the right to publish any relevant information about the RS applicants on its website,</p>

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	<p>including for the purpose of knowledge transfer and collaboration with other international regulatory agencies.....”.</p> <p>The draft offers no clarity about the confidentiality of data. Start-ups/ innovators invest resources to come up with their secret technology and there are good social reasons for letting them retain confidentiality around it. The language in the said clause is too wide including the words “knowledge transfer” especially.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>▪ Thus, we request the RBI to amend the aforementioned clauses up to the extent of providing security/ confidentiality in terms of trade secret/ business insights/ technical know-how, intellectual property rights etc.</li> </ul> <p>Additional General Recommendations/ Requirements</p> <p>12. Framework for Inter-Operability with Other Industry and Regulatory Sandboxes</p> <p>The sandbox would need to highlight that it would work on open but safe architecture for connecting with various industries, payment infrastructure and other regulator’s sandboxes. There may be various concepts which would need connecting with multiple entities and platforms and in some specific cases even multi regulators. Thus it is imperative to work on standards of open architecture with appropriate security standards for all relevant systems and other sandboxes to connect with RBI RS.</p> <p>13. Digitization of Access to Sandbox and User Journeys</p> <p>We assume that there would be digitization of access to sandbox and user journeys as this will lead to lower pick up of significant process delays in going through sandbox process.</p> <p>14. Concerns with Respect to Data</p> <p>The use cases may not be realistic without availability of data. The draft lacks the clarity on how and which data will be made available to entities participating in the program. The specifics of data regulation and privacy, those will be validated, must be clarified as a</p>



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	<p>part of the document. Data sharing agreements with partners is key to success of such sandbox that is not explicitly covered. Hence, we further request the RBI that operational guidelines, in this scenario, may be released.</p> <p><b>15. Important Role of Industry Bodies</b></p> <p>FinTech and financial services innovation is a very important and very attractive segment and RS by RBI is likely to get hundreds of requests if not thousands. This may put immense pressure on system to process such requests and also being able to get these players live for testing. [REDACTED] can play a very critical role in identifying critical subjects, groups and with RBI's guidance may help in prioritising the overall requests and also may try and group them to best possible way to speed up such processes. In past such bodies have worked very closely with RBI for such innovative pilots like Person to Person remittance with Aadhaar using PPIs etc. Where such bodies brought certain key players together, briefed them on the test and pilot objectives and also acted as single window communication channel between industry players and RBI to help in integrated communication and supporting both industry players as well as regulators. [REDACTED] also worked closely with stakeholders to collate the data and provide regular feedback on possible corrections etc. required during pilot period. Such additional supporting role and utilizing industry bodies could also help regulators achieve full potential of the RS with faster speed.</p> <p><b>16. Collaboration Framework with FinTech Ecosystem</b></p> <p>The current draft mentions about the FinTech Unit inside RBI, whereas it's not very clear how the collaboration with broader FinTech ecosystem will take place There is a need to identify a committee from FinTech/ digital ecosystem to collaborate with FinTech Unit (this could include existing industry/ FinTech representative entities [REDACTED]).</p>

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	<p>There should be publicly shareable updates as everyone in the industry would be looking for guidance/ update.</p> <p>17. City as a Sandbox</p> <p>The draft has broadly defined the construct of the batches and how the program will be executed. However, it lacked information on how the test environment will be created and how would any relaxed regulations be tested against any hypothesis. It will be apt to define a geographical boundary in a city and allow selected start-ups to showcase results for the presented use case by testing the product within a real homogenous user group living in that defined zone. E.g. Mumbai can be considered and prepared for the theme. That should include set of FIs, merchants, consumers, NGOs etc. who will help in defining sample set and driving experimentation.</p> <p>18. Reference Application/ Evaluation Checklist</p> <p>The draft doesn't include any sample application form/ evaluation checklist. A reference as annexure to a filled application form and indicative checklist for evaluation will help better understanding for applicants.</p> <p>19. Monitoring/ Process after Exit</p> <p>At the end of a cohort, when an entity of Regulatory Sandbox exits, what would be monitored or conditions post exit should be mentioned clearly. E.g. the go ahead, change in regulation, product roadmap etc.</p> <p>Conclusion</p> <p>RBI's proposal for setting up RS is a welcome approach and would catapult India among the leading jurisdictions that train their focus in harnessing innovation in the FinTech space. We are fully committed to ensure the success of RS in India, and would be happy to engage with the RBI to promote innovation in the FinTech Industry.</p>



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17	<p>We refer to the Draft Enabling Framework for Regulatory Sandbox ("Proposed Framework") released by the Reserve Bank of India ("RBI") on April 18, 2019 for seeking stakeholder comments/suggestions. At the outset, we would like to congratulate RBI on recognizing the state and potential of the Fintech market in India today and accordingly taking a welcoming step towards creating a dynamic, evidence-based regulatory environment which learns from, and evolves with, emerging technologies.</p> <p>We, at Entity 17, in keeping with our commitment to help in the development a forward looking Regulatory Sandbox regime in India, have analysed the Proposed Framework and provided our comments, feedback and suggestions in the attached document. We shall also be delivering the physical copy of our comments and recommendations to you shortly.</p> <p>We sincerely hope that our views will help RBI in formulating further reforms to the Fintech regulatory framework in India. We shall be happy to continue to work closely with RBI and conduct further in-depth research and analysis, if required.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

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	<p>At the outset, we believe that the Draft Enabling Framework for Regulatory Sandbox ("Proposed Framework") is a welcome step towards creating a dynamic, evidence-based regulatory environment which learns from, and evolves with, emerging technologies. We concur with the overall objective of the Proposed framework of improving the pace of innovation and technology absorption along with financial inclusion. It has the potential to give significant boost to entrepreneurship, competition and building infrastructure capabilities for the Indian financial services sector.</p> <p>Pursuant to this, we would like to take this opportunity to contribute our suggestions, comments and feedback on the Proposed Framework that the Reserve Bank of India ("RBI") has so kindly put up for public consultation.</p>			
		</		



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				jurisdiction or competence of the RBI.	<p>relaxations under the RS, which, in other words, would amount to 'legal waivers'.</p> <p>The drafting of these clauses should hence be suitably clarified according to the intent. If the intent is that Clause 4.3 refers only to matters outside the RBI's jurisdiction, that should be suitably clarified.</p>
2.	6	6.5.1 (a)		<p>It should be clarified that the RS applicant need not be registered as a 'start-up' with the Government of India.</p> <p>Criterion no. 1 (a) (iii) of the said Government of India notification should be</p>	<p>The words "meet the criteria" may be interpreted by some to mean that the RS applicant should obtain registration under the Government of India notification. This does not appear to be the intent of the Proposed Framework, and in our view, would not be a necessity for an RS applicant.</p> <p>The said criterion (iii) (see footnote produced adjacently) is subjective and is similar to criteria already required by the Proposed Framework itself.</p>

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				made optional.	Hence, the requirement of innovation and public interest is already ensured by the Proposed Framework. To avoid conflicting interpretations, this criterion (iii) can be dispensed with.
	3.	6	6.5.1 (b)	<p>RBI should consider reducing the net worth requirement s applicable to start-up applicants.</p> <p>RBI may consider introducing a requirement for RS applicants to obtain adequate professional indemnity insurance cover and maintain it throughout</p>	<p>As per the Proposed Framework a RS applicant is required to have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet.</p> <p>We note that this may create significant barriers to the entry of various fintech innovators in the RS. It will be a challenge for many fintech startups to be able to reach this minimum net worth requirement in the initial years of their operations, which is also the most critical time period for fintech innovators. As a result, many promising fintech startups may not be able to avail of the benefits of the sandbox. Startups</p>



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			lifecycle of the RS process.	<p>which are above the prescribed net worth requirement are in any case often able to marshal resources to comply with ordinarily applicable laws. It is those startups which are below this threshold that may most benefit from the Proposed Sandbox.</p> <p>It is also pertinent to note, that if the capital is tied up for the purpose of fulfilling the minimum net worth requirement, it may impose financial constraints on RS applicants to utilize these funds for other vital activates such as hiring talent, purchasing technical infrastructure or developing new services. This may result in putting RS applicants with lesser financial capacity at a disadvantage, in terms of their capacity to innovate.</p> <p>Further, Clause 8.1 of the Proposed Framework, states that the RBI shall bear no liability arising from</p>

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	<p>RS process and any liability arising from the experiment will be borne by the RS applicant.</p> <p>We observe that the minimum capital requirement may have been introduced to ensure protection of consumers, nurture confidence in financial markets and cover liability arising from the RS process. In light of the above, we recommend that instead of a minimum capitalization requirement for the RS applicants, potentially new insurance products may be explored or be created by Indian insurance companies for RS applicants to obtain adequate professional indemnity insurance cover and maintain it throughout the period of the RS process.</p> <p>The above comments are in order to ensure that the net worth requirement does not</p>



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					impair the success of the Proposed Framework.
	4.	6, 7, 8	6.5.1 (f), 6.5.2, 6.5.8	<p>Clause 6.5.1(f) should be amended to provide for a more concrete criterion.</p> <p>Clauses 6.5.2, 6.5.3 and 6.5.8 lead to ambiguity and should be reconsidered.</p>	<p>The phrases and criteria in these clauses are subjective and can lead to a wide variety of interpretations, making it difficult to provide intelligible differentia between RS applicants whose applications have succeeded and failed. This may lead to disgruntlement and potential grievances of the latter. Rather, these criteria should be replaced by objective standards, including from international frameworks, to the extent possible.</p> <p>Further, it should be clarified that the use of the words "or" in Clause 6.5.2 is intentional and only any one of the three criteria are required to be met.</p>
	5.	7	6.5.7	RBI should consider removing the requirement	As per the Proposed Framework, RS applicants will be required to share the results of proof of concept /

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				<p>for RS applicants to share their relevant prior experiences relating to the results of proof of concept / testing of use cases.</p> <p>RBI should adopt good information governance practices throughout the lifecycle of the RS process, including the use of confidentiality agreements from the earliest stage.</p>	<p>testing of use cases including <i>any relevant prior experiences</i> before getting admission into RS for testing. Further, powers will be granted to RBI to check the IT systems used for end-to-end sandbox processing.</p> <p>We note that this may be a cause of concern amongst fintech innovators, with respect to the risk of information leaks and the resulting disputes pertaining to their proprietary information and trade secrets developed by fintech innovators. It covers know how, business information and technological information. Disclosure of this information would undermine a fintech's vital interest or a unique selling point.</p>



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	6.	6	6.1, 7	<p>The time period for a cohort for testing an innovation in the sandbox should not be limited to 6 months, instead it should be extended for 12 months (or longer period) with a discretionary extension available for 6 months.</p> <p>The Proposed Framework under clause 7.2, stipulates the various stages and timelines for the RS Process, the complete duration of which has been indicatively mentioned to be approximately 6 months, subject to request for extension.</p> <p>However, we note that this may not be sufficient to assess the financial and operational benefits of fintech innovations. It would also be increasingly difficult to assess the impact on financial inclusion and the potential risks arising out of the fintech innovations in such a short period of time.</p>
	7.	9	7.1	<p>The FinTech Unit ("FTU") at the RBI should have representatives from other financial regulators,</p> <p>As per clause 7.1 of the Proposed Framework, the role of oversight throughout the lifecycle of the RS process is upon the FTU at the RBI.</p> <p>We note that there exists an inter-regulatory overlap due to the convergence of</p>

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	<p>such IRDAI, Securities Exchange Board of India ("SEBI"), Pension Fund Regulatory and Development Authority ("PFRDA"), Department of Economic Affairs, and/or Department for Promotion of Industry and Internal Trade, ("DPIIT") etc. to map and provide guidance on the inter-regulatory issues arising out of various financial services and creation hybrid products, which are regulated under different sectors, by fintech innovators. We recommend that representatives from other financial regulators, such as IRDAI, SEBI, PFRDA, DPIIT etc. should also be included in the composition of FTU under RBI.</p>



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				innovative fintech products and services.	
	8.	-	-	India should enter into Fintech Bridge Agreements with other jurisdictions which have a conducive regulatory sandbox regime.	<p>We note that the <i>UK-Australia FinTech Bridge Agreement</i> between Australian Securities and Investments Commission and the Financial Conduct Authority ("FCA") of UK and the <i>UK-Singapore FinTech Bridge Agreement</i> between Monetary Authority of Singapore and UK FCA both seek to enable collaboration on FinTech between governments, financial regulators and the industry. It encourages FinTech innovators to use the facilities and assistance available in the other jurisdiction to explore new business opportunities and reduce barriers to entry.</p> <p>We also note that such increased collaboration provides a novel opportunity to enhance trade and investment flows</p>

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					<p>between their markets, thereby contributing to the development of the international fintech market. A successful case study is Crowd2Fund, a UK-based fintech innovator that is launching an Australian office by utilizing the UK-Australia FinTech Bridge Agreement. This makes it easier for Crowd2Fund to run operations in the markets of both Australia and UK and has been able to procure company licensing in both jurisdictions.</p>
	9.	10	8.1	<p>It may be clarified what kind of liability is being envisaged in the disclaimer that the RBI will not bear liability.</p>	<p>It may be the intent to say that the sandbox does not excuse the liability of the RS applicant of complying with all applicable laws other than those under the RBI's jurisdiction. If so, that should be clarified.</p>
<p>In conclusion, we reiterate our congratulations on the introduction of the Proposed Framework and we humbly request the relevant</p>					



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	<p>departments of the RBI to take our feedback into consideration. Further, we would be happy to discuss in detail any of our suggestions, comments and feedback in this regard.</p>
18	<p>RBI has notified a Draft Enabling Framework for Regulatory Sandbox to provide an environment for innovation-led entities for limited-scale testing of a new products/service that may or may not involve some relaxation in a regulatory requirement before a wider scale launch. We welcome the framework and are please to offer certain suggestions that may further the objectives of this framework.</p> <p>Section 5: Many of the innovations in Fintech startups are contingent on innovations that, as per extant regulations, may require multiple conflicting licenses. Such licenses may even arise across regulators. For example, there are innovative ideas at intersection of trade and credit, as well as insurance and credit. This element of cross-license innovations may be included as a focus area for the regulatory sandbox, in order to enable customer value creation.</p> <p>Section 6.2: There is significant scope for innovation in how the objectives around KYC/AML may be fulfilled through use of technology. We recommend that those innovations be included in the scope of regulatory sandbox, and Section 6.2 requirements may apply in the sense of preserving the principles rather than the prescription of KYC/AML processes as they exist today."</p> <p>Section 6.3: "Credit Information" has been specified on the negative list which may not be accepted for testing. The intent behind this is unclear. There are significant advances in credit assessment methods, and the information that may feed such assessment models. Innovation around this area is key to financial inclusion, and may be permitted under the regulatory sandbox.</p> <p>Section 6.5.1 (a): Restricting the scope of regulatory sandbox to startups may limit the scope of innovation, especially since many of</p>

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	<p>the innovations in Fintech sector arise through partnerships between established financial institutions and startups. Permitting access to regulatory sandbox for a wide range of innovators will help further the objectives outlined in the draft enabling framework. Similarly, the participation of Fintech companies themselves should not be limited by maximum turnover or net worth.</p> <p>"Section 6.5.1 (f): Given that many of the startup innovations applying for the regulatory sandbox will have existing regulatory constraints, it is unlikely that those products/services would be technologically ready for deployment in broader market. Given a successful pilot in the sandbox environment, such technology readiness can then be achieved, either by the same entity, or by other market participants who will also witness the successes in the sandbox. This requirement may hence be relaxed."</p> <p>"i. There is a need for ""continuation pathway"" for innovations admitted to the regulatory sandbox. In absence of such a pathway, the very merit of admitting the innovation is compromised. Further, absent such a pathway, entrepreneurs and investors would find the risk of pursuing such innovations unacceptable. We propose that for successful pilots, as defined and agreed by the startup and regulator at time of entry into the sandbox, there be a continuation pathway comprising of (a) ""next level scale"" relaxation within purview of the sandbox relaxations; and (b) time-bound incorporation of such a relaxation into prevalent regulations on permanent basis.</p> <p>ii. In order to provide clarity to startups opting for the regulatory sandbox, we propose that a formal No-Action Letter be issued to such startups, capturing the terms of regulatory relaxations available during their pilots inside the regulatory sandbox. This will provide certainty around these relaxations not just during that period, but also as future reference and record of such relaxations.</p>



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	<p>iii. There should be measures put in place to protect the fintech's idea from licensed competitors during the regulatory sandbox testing period.</p> <p>iv. An agile framework for start-ups to incorporate regulatory / RBI feedback while the product is in the regulatory sandbox would add value to the entire process."</p> <p>We firmly believe that technological and data innovations can dramatically enhance the level of financial inclusion in India, and the regulatory sandbox is an important part of the puzzle in enabling such innovations. We will be pleased to engage further, in the process to develop a truly productive sandbox model for the Indian market.</p>
19	<p>Entity 19 commends the regulatory sandbox initiative launched by the Reserve Bank of India (RBI) and particularly the intention to combine a cohort-based approach with the concept of thematic sandboxes supporting, among others, the objective of promoting financial inclusion in India. We believe that this approach well reflects the current context and priorities of RBI.</p> <p>Entity 19 has four main concerns regarding the proposed Reserve Bank of India's Regulatory Sandbox Framework (the Framework) that are further explained below: (i) the limitation of eligibility to FinTech start-ups, (ii) the lack of clearly defined objectives and expected change, (iii) the lack of defined exit strategy when a regulatory change proves necessary, and (iv) the missing description of inter-regulatory cooperation.</p> <p>Eligibility: The Framework limits access to RBI's regulatory sandbox to FinTech startups. Start-ups are defined by Govt. of India, DIPP Notification No. G.S.R. 264(E) dated April 11, 2018 but the definition of FinTech is missing and can be only indirectly established from the provisions of Section 6.1 of the Framework. While this lack of definition creates some level of uncertainty, more importantly restricting the access to regulatory sandbox only to fintech start-ups is potentially creating an uneven playing field with non-fintech</p>

Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>innovators and non-start-ups excluded from the sandbox. [REDACTED]</p> <p>survey data show that this approach is also unique (more than 80% of the respondents indicated that regulated entities/incumbents were eligible for testing in regulatory sandbox).</p> <p>While we support the approach where regulatory sandbox is a solution reserved for exceptional cases (particularly where new entrants are testing untested concepts), we believe that already regulated entities (and incumbents) would benefit from the same opportunity as they may face similar barriers and risks preventing them from innovating (e.g., reputational and compliance risks). The importance of innovation by incumbents is also underscored by the Report of the Working Group on FinTech and Digital Banking (see, e.g., Section 3.2.3, 6.3.2 etc. of the Framework). Further, the restricted eligibility may unduly limit potential partnerships between incumbents and startups.</p> <p>To consider: Expanding eligibility criteria to cover financial service providers who are currently regulated. In order to ensure a level playing field and safety of testing, incumbents should be subject to the same restrictions (e.g., in terms of scale) as testing startups.</p> <p>Objectives: The Framework should clearly define the main objectives driving the sandbox initiative and the change RBI expects as a result of implementing the regulatory sandbox. In our experience, clearly defined objectives facilitate implementation, measuring of impact and framework modifications if necessary. They also help stakeholder communication as relevant stakeholders better understand motivations behind the initiative, opportunities it brings along and its limitations.</p> <p>To consider: Explicitly defining main objective(s) and expected change(s) the Framework should achieve.</p> <p>Exit: The Framework rightly ties the eligibility for sandbox testing to (i) absence of regulation and/or (ii) a need to temporarily ease regulations for enabling the proposed innovation (Section 5 of the</p>



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>Framework). The Framework, however, does not indicate any exit process in case of successful testing in the absence of appropriate regulatory framework under which the innovator could operate upon exit (e.g., when a suitable authorization regime is not available). Given that RBI cannot provide any legal waivers (Section 4.3 of the Framework), will it strive to adopt necessary regulatory changes while allowing the innovator to operate in a temporary regulatory vacuum or is any other solution envisioned? The issue of test-based regulatory change is only briefly listed among general sandbox benefits in Section 3.1 and 3.4 of the Framework. In this context, it is worth noting that several regulators have signaled their readiness to change inadequate rules when necessitated by sandbox testing results (e.g., the United Kingdom).</p> <p>To consider: Outlining scenarios for regulatory change driven by sandbox testing.</p> <p>Cooperation: The complexity and cross-sectoral nature of recent financial innovations require closer cooperation among financial sector regulatory authorities (and other relevant government agencies). This is particularly relevant in a complex regulatory system such as the one in India where innovation may span across mandates of multiple regulators (e.g., IRDAI, SEBI). The framework might need to explain how necessary cooperation will be established and implemented to facilitate implementation of RBI's regulatory sandbox, particularly as other regulators are also contemplating their own regulatory sandbox initiatives.</p> <p>To consider: Outlining a strategy for inter-agency cooperation (e.g., signing and implementing a memorandum of understanding).</p> <p>Specific comments:</p> <ul style="list-style-type: none"> <li>• Are eligibility criteria listed under Section 5 (i) – (iii) of the Framework cumulative? If yes, could there be instances where application of (i) and (ii) would be mutually exclusive?</li> </ul>

Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<ul style="list-style-type: none"> <li>• Does RBI expect the exclusion criteria (Section 6.3 of the Framework) to change in a foreseeable future and under what circumstance this may happen?</li> <li>• Under what circumstances would the sandbox accommodate a remittance provider or other innovators using cryptocurrencies as an underlying technology and not a product in itself (for instance as a mechanism to lower transactional costs and address FX risks)?</li> <li>• Why are credit registries and credit information excluded from testing? It is reasonable to assume that alternative credit scoring (e.g., using non-financial data to complement credit risk assessment) might be among the candidates for sandbox testing. Would an alternative credit information system testing also be excluded?</li> <li>• Is the information shared under Section 6.5.7 of the Framework provided only to RBI and on a confidential basis? More generally, in our experience, many fintech startups hesitate to participate in a sandbox-like initiative when they are concerned with increased publicity potentially compromising their IP rights (e.g., vis-à-vis proprietary technology), therefore regulators should consider explicitly addressing the issue of IP rights protection (which should generally rely on the startups that need to seek adequate protection on their own and in a due time). This is particularly important in the context of broadly formulated Section 9 of the Framework.</li> <li>• Will RBI include an application form template in the final version of the Framework?</li> </ul> <p>Finally, we would like to underscore the importance of regulatory sandbox being implemented in the context of a broader agenda where it becomes one component among other initiatives. Our research suggests that complementary initiatives such as FinTech offices and innovation hubs provide additional support that reinforces the function and impact of regulatory sandbox.</p> <p>Please do not hesitate to contact <b>Entity 19</b>, should you have any questions.</p>



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox										
20	<p>This is with reference to the Draft Enabling Framework for Regulatory Sandbox released by RBI dated 18th April 2019 ("Draft Guidelines"). RBI has invited comments on the Draft Guidelines which contains the structure and mechanism for regulatory sandbox in FinTech Sector.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Please find attached our comments/suggestions on the Draft Guidelines, for your kind perusal.</p> <table border="1"> <thead> <tr> <th></th><th>Points pertaining to</th><th>Suggestions/ Answers</th><th>Rationale</th></tr> </thead> <tbody> <tr> <td></td><td>Paragraph 5 - Eligibility criteria for participating in the Regulatory Sandbox</td><td>The Draft Guidelines structured by RBI encapsulates the eligibility of the participants in the cohort to only those applicants that qualify as a start-up under the criteria laid down by the government under the DIPP Notification for start-ups, together with certain other criteria</td><td>The Draft Guidelines focuses on the objective to encourage innovations which are not supported by the existing framework or is hampered due to absence of a regulatory</td></tr> </tbody> </table>				Points pertaining to	Suggestions/ Answers	Rationale		Paragraph 5 - Eligibility criteria for participating in the Regulatory Sandbox	The Draft Guidelines structured by RBI encapsulates the eligibility of the participants in the cohort to only those applicants that qualify as a start-up under the criteria laid down by the government under the DIPP Notification for start-ups, together with certain other criteria	The Draft Guidelines focuses on the objective to encourage innovations which are not supported by the existing framework or is hampered due to absence of a regulatory
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	<p>such as minimum threshold of net-worth, satisfactory bank accounts and CIBIL score, etc. This implies that other mature and bigger entities are not eligible to avail the benefits of testing their innovations in the Regulatory Sandbox.</p> <p>In our humble opinion, the eligibility criteria of the Regulatory Sandbox should not be limited only to a start-up but should consider the qualitative parameters such as the novelty in the innovation, the utility to the public and the viability of the solution provided by such innovation, irrespective of the entity being a start-up. In view of the same, all categories of FinTech concerns should be allowed to test their products/services in the structure.</p> <p>Further, one of the key aspects of the Regulatory Sandbox is financial inclusion which proposes to make the financial services accessible at affordable costs to all the individuals and entities, without restricting it only to start-ups. Therefore, such limited approach to the eligibility criteria for participation in the Regulatory Sandbox is in variance with the objective of financial inclusion enumerated in Draft Guidelines. It has been</p>



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			Regulatory Sandbox subject to certain restrictions pertaining to requirement of net-worth, the proposed qualifications, along with innovation and certain indispensable statutory compliances.	emphasized and successfully proved in other jurisdictions like the United Kingdom and Singapore, where Regulatory Sandboxes have given an immense boost to FinTech sector, that the participation of the entities with promising innovations is not chained to the tag of 'start-ups'. In the United Kingdom, for instance, the only requirement is the authorisation or registration of the entity by or under the U.K Financial Conduct

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				<p>Authority (“FCA”), the FTU equivalent of U.K., unless certain exemptions apply.</p> <p>Further, Paragraph 5 of the Draft Guidelines do not take into account the adverse impact on the growth and durability of innovations, created by the firms or entities of higher stature, due to the narrow opportunity given to only start-ups to test their innovations.</p>
		Paragraph 6.5- Fit and Proper Criteria for Selection of Participants in	In light of the eligibility criteria and the fit and proper criteria enlisted in the Draft Guidelines for the participants, the	On analysing the models of FinTech regulatory sandboxes in



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox		
	Regulatory Sandbox	<p>decision of adjudging a suitable participant for a cohort is solely shouldered on the FinTech Unit ("FTU") at the RBI. Further, the Draft Guidelines do not propose any indicator or parameter for substantiating such decision of FTU.</p> <p>Therefore, it is our humble suggestion, that the draft guidelines or a subsequent draft defines the various positive and negative indicators or parameters of each of the eligibility criterion provided in the Draft Guidelines, that may be considered by FTU while checking the list and deciding if the applicant is fit and deserving to be a part of the cohort under the Regulatory Sandbox.</p> <p>On the other hand, it could also be</p>	<p>various jurisdictions, in our point of view, the factor of eligibility of any applicant should be based on certain pre-determined foundations in the form of indicators or parameters. The understanding of the FTU and the broad essentials provided in the Draft Guidelines cannot be considered as the sole criterion for determining the novelty, viability or the efficiency of any concept of innovation.</p> <p>For instance, the <i>Project Innovate</i> of the United Kingdom, provides for an</p>

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			<p>suggested that the FTU releases the temporary list of such indicators for each cohort, which should be in line with their expectations or the key areas of ambiguity of regulatory framework in India.</p>	<p>exhaustive list of signs to gauge the standing of the applicants in the cohort, to facilitate clear and undisputable decisions, with respect to the benefaction to the applicants for participating in the project.</p> <p>In order to avoid autonomy of the FTU unit and to provide the applicants a fair and clear idea about their eligibility, the list of indicative actions and parameters should be provided. The inclusion of the same would act as a mirror to the prospective or future applicants</p>



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				of the Regulatory Sandbox.
		Paragraph 6.6 – Extending or Exiting the Sandbox	<p>The Draft Guidelines record that the Regulatory Sandbox participants would be entitled to seek extension of the testing timeline on the ground of an application given by the participant to the stating valid reasons to support the extension. Subsequently, on the discretion of the FTU, the timelines may be extended or not extended for the participant. However, the Draft Guidelines do not provide for the measures on the basis of which the decision of extension will be taken. This increases the scope for ambiguity.</p> <p>In our suggestion, the FTU should be guided by specific parameters to decide on extending</p>	<p>In our view, the autonomy of the FTU should be maintained in the Regulatory Sandbox together with certain guiding principles and parameters. The basis of the same is to enable the prospective applicants and the existing participants to have with an established mechanism of entering, operating and exiting the Regulatory Sandbox, if required, in a structured and unbiased manner. Also,</p>

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			<p>the program and settle the plan of action.</p> <p>In addition to this, for cases wherein the participant may exit on his own, a procedure should be set in place for such exit and the manner in which the further actions would be taken by the participant, post such exit.</p>	<p>the absence of conditions with respect to the extension of period in Regulatory Sandbox might not only cause ambiguity and diminished planning but would also lead to a situation of compromise in fairness in exercise of discretion.</p> <p>In addition to this, the lack of a prescribed voluntary exit plan and clarity regarding the conduct of the participant after such exit would lead to ambiguity and procedural delay in case of a dispute.</p>



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	<p>Paragraph 7 - The Sandbox Process and Stages in a Regulatory Sandbox</p>	<p>The Draft Guidelines provides for the adjudgment of the final outcome of the experiment conducted in the Regulatory Sandbox in the last stage. However, it is silent on the benefits/relaxations that would be accorded upon by the FTU post the successful completion of the experiment under the Regulatory Sandbox, as per the guidelines provided by FTU for the respective test design of the applicant. This might lead the participants to believe that their time, efforts and money might be futile.</p> <p>In our humble suggestion, the FTU or RBI should be shouldered with the responsibility of outlining the impact of a successful experimentation and</p>	<p>The concept of a regulatory sandbox functions on the objective of determining the gaps or loopholes in the existing regulatory framework or attempts to provide for a framework in case of absolute absence of law in relation to the subject innovation. However, the structure and mechanism under the Draft Guidelines fails to address the issue, creating an ambiguity for the prospective applicants.</p> <p>The applicants will be unclear</p>

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			<p>advocating modifications or drafting of any regulatory structure, framework, etc, as may be required on case to case basis.</p>	<p>about the course of action post the successful experimentation of the innovation in the sandbox environment.</p> <p>The Draft Guidelines do not address the status quo of the situation of the participate, post its exit from the Regulatory Sandbox. The entity shall be mandated to comply with the same statutory requirements or despite successful completion of Regulatory Sandbox testing.</p> <p>With a view to rewarding the time, money and effort put in by the</p>



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				participants and their contribution towards assisting in regulatory framework, the participant should be accorded benefits provided the participant is able to pull off a successful testing.
		Paragraph 6.1.1 - Innovative Products/Services  Paragraph 6.2 - Regulatory Requirements/Relaxations for Sandbox Applicant	Per the list of eligible and permissible innovative products and services, Digital KYC is an open ground for any applicant allowing the participant to innovate in the said arena. However, contrary to such permission, the Draft Guidelines, mandate the participants to abide by the regulatory requirements related to KYC/AML/CFT, as	The contradiction posed by the Draft Guidelines in the permissible arena of innovation and the required compliances will necessitate the participates working in this arena to strike an unjustifiable balance between the two positions. Further, in the attempt of

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	<p>necessitated under the existing laws.</p> <p>The contradiction in the permissibility and the entailed restriction on a particular arena will give rise to a debateable dispute for the participants and inhibit their innovation. The reason for the same being the need of balancing the two positions under the Draft Guidelines. In addition to this, there is a regulatory gap in the existing restriction on performing digital KYC and the regulatory sandbox environment permitting such innovation.</p> <p>In our humble suggestion, the Draft Guidelines should be made clearer as to what extent the KYC/ AML/CFT requirements would have to be complied by the</p> <p>attaining such balance, the participant might be compelled to compromise with the innovation or defeat the purpose of entering into a regulatory sandbox altogether.</p> <p>We understand that in the practical parlance, the participant might find it extremely difficult and tedious to be able to work on the proposed test design while complying with the existing laws. Furthermore, the participant will have no encouragement for entering into a regulatory</p>



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		<p>participants during the course of Regulatory Sandbox provided the participant ensures the complete security and protection of the customer data.</p> <p>Alternatively, a restriction can be placed on the permissible product or service related to digital KYC and the ways it can be innovated or modified for participation in the Regulatory Sandbox.</p>	<p>sandbox owing to the fact that the participant would be induced to the same regulatory environment inside the sandbox as the outside the sandbox.</p> <p>In addition to this, the purpose of RBI and FTU to permit the innovations in this sector will also be defeated as the RBI would fail to gauge the difference between the regulatory circumstances inside and outside the Regulatory Sandbox.</p>
	Paragraph 6.2 - Regulatory Requirements/ Relaxations for	The Draft Guidelines' approach towards the resolution of any regulatory discrepancy or hassle, with respect	We opine that the implementation of the present approach, as guided by the

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	Sandbox Applicant	<p>to a particular financial related technology, and determination of the same on the basis of the experimentation of a singled-out start-up is monopolistic in nature. In addition to this, such subjective redressals to a particular start-up might create hindrances in market entrance as the same might create a monopolistic position for the participant start-up. Further, the Draft Guidelines state that the RBI can grant relaxation from regulations to the Regulatory Sandbox entities on a case to case basis.</p> <p>In our humble suggestion, instead of the present approach, the Draft Guidelines should contain a uniform scheme of exemptions against which the individual cases can be tested rather than</p>	<p>Draft Guidelines, would lead to a monopolistic regime where some Regulatory Sandbox entities would have an upper hand over the others by way of regulatory exemptions. On the other hand, if there is a uniform set of principles and conditions governing the grant of exemptions, all the entities would be at an equal footing leading to a fair testing procedure.</p>



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			conferring a subjective decision-making power on to RBI or FTU.	
		Paragraph 8 - Statutory and Legal Issues	<p>The Draft Guidelines, at multiple junctions, clears RBI of any liability or damage that may arise during the course of the testing in the Regulatory Sandbox or on failure of the test. This implies that the applicant would be solely responsible for its conduct while in Regulatory Sandbox and any damage or loss that may have to be incurred at that point of time. This might cause the participant to exercise excessive caution and hindrance towards experimentation which would defeat the purpose of entering the Regulatory Sandbox.</p> <p>The Draft Guidelines should provide for an insurance mechanism for the cohort or the</p>	<p>In consideration of the objective of any regulatory sandbox, such an approach of outright denial of liability during the testing period of the Regulatory Sandbox will defeat the purpose of entering into a sandbox. The regulatory sandbox poses the advantage of letting the start-ups to experiment and develop on their innovation in a secure and risk-less environment.</p> <p>However, with the liability being put on the</p>

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			<p>respective participants for any loss or damage, on the basis of expected damages and associated risks, that may be incurred during the testing process.</p> <p>Alternatively, the guidelines should contain certain exceptions to this necessity of outright indemnity of the regulator, considering the amount of powers that the RBI possesses with respect to approval of Regulatory Sandbox applications.</p>	<p>shoulders of the newly incorporated participant, in absolute sense, may discourage such start-ups from participating in the Regulatory Sandbox.</p> <p>With the implementation of a cohort insurance, the participants may sense a security for entering into a Regulatory sandbox and encourage more innovations.</p> <p>Subjecting the risk under the Regulatory Sandbox, the liability of the expected or unexpected losses cannot be</p>



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				headed to the participant alone.
		Paragraph 9 - Disclosure	The paragraph relating to disclosure bestows the RBI an absolute right to RBI to publish any information about a Regulatory Sandbox participant on its platform. The said right provides the regulator a broad and unbound leverage to publish any information, which at times may be disadvantageous to the participant. Such information includes the publication for transfer of knowledge and collaboration with other international regulatory agencies. This exercise of this right should be made subject to certain well-defined parameters for better operation of Regulatory Sandbox. Further, the right should have a carve out for the	We understand from the regulator's perspective that the publication of information regarding the participants cannot be curtailed with restrictions. However, to balance the rights of the participant and to provide a sense of assurance to the participant, the intellectual property should be carved out from the absolute authority. Such an absolute right might compromise the confidentiality of Regulatory Sandbox entities,

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			<p>protection of the intellectual property rights, in order to give the Regulatory Sandbox participants a sense of assurance.</p> <p>which would become vulnerable if sensitive details about the innovation and the test design are broadcasted by the RBI on its website. The start-ups in Regulatory Sandbox at a nascent stage might not be fully protected.</p>
		Paragraph 7 – Fast Track Approvals	<p>The Draft Guidelines provides for a standard timeline and mechanism for all kinds of entities, irrespective of the nature of the innovation or the degree of risks involved with such innovation.</p> <p>In our humble suggestion, the draft guidelines should provide for a process of fast track approval, with expediated timelines,</p> <p>We are of the view, that many viable solutions and innovations fail due to procedural delays and complexities which further leads to discouragement to the start-ups at nascent stage to launch their innovation. By providing</p>



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		<p>for the successful completion of the testing under the Regulatory Sandbox. The same may be made applicable for such entities which may pose a low degree of risk and which may not require many changes in the regulatory structure or there is not much gap in the regulatory structure.</p> <p>Secondly, going forward RBI should also consider running various cohorts simultaneously under the regional offices of RBI. This will expand the reach and would help FinTech companies in capping their costs.</p>	<p>expedited timelines and faster clearances for such start-ups, RBI may aid them to be able to save a lot of time, money and efforts for such low risk and less capital innovations and further encourage them to participate in the Regulatory Sandbox testing process.</p>

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21	<p>Please find attached word and PDF versions of our comments on the draft framework for a regulatory sandbox.</p> <p>Feel free to reach out to us if you require any clarifications in connection with our feedback.</p> <p>This has reference to the draft "Enabling Framework for Regulatory Sandbox" issued by the Reserve Bank of India ("RBI"), with a view to introduce an appropriate framework for a 'Regulatory Sandbox'. The RBI has invited comments to the framework by May 8, 2019.</p> <p>Below is a table summarizing Entity 21 comments on some of the proposals in the Draft Framework.</p> <p>Where no comments are made, Entity 21 views do not differ from the proposals set out in the Draft Framework.</p> <table border="1"> <thead> <tr> <th>Section</th><th>Proposed Regulation</th><th>Inputs and Comments</th></tr> </thead> <tbody> <tr> <td>4. Regulatory Sandbox: Risks and Limitations</td><td>4.3 – Waiver of Liability by RBI, 6.9 – Consumer Protection, 8.1 – Statutory and Legal Issues</td><td>A monetary limit may be introduced, below which participants will not be responsible to bear regulatory fines/penalties.  Imposing liability entirely on participants may disincentivise them from innovating and participating in the RS. A participant (particularly start-ups, which usually do not have surplus funds) may not be willing to bear regulatory fines or penalties for minor and/or unintentional breaches.</td></tr> <tr> <td>5. Regulatory Sandbox: Eligibility Criteria for</td><td>The focus of the RS will be to encourage innovations</td><td>Absence of regulations maybe clarified to include instances where more than one set of regulations apply, in part. For e.g., hybrid payment</td></tr> </tbody> </table>		Section	Proposed Regulation	Inputs and Comments	4. Regulatory Sandbox: Risks and Limitations	4.3 – Waiver of Liability by RBI, 6.9 – Consumer Protection, 8.1 – Statutory and Legal Issues	A monetary limit may be introduced, below which participants will not be responsible to bear regulatory fines/penalties.  Imposing liability entirely on participants may disincentivise them from innovating and participating in the RS. A participant (particularly start-ups, which usually do not have surplus funds) may not be willing to bear regulatory fines or penalties for minor and/or unintentional breaches.	5. Regulatory Sandbox: Eligibility Criteria for	The focus of the RS will be to encourage innovations	Absence of regulations maybe clarified to include instances where more than one set of regulations apply, in part. For e.g., hybrid payment
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	<b>Participating in the Sandbox</b>	where there is an absence of governing regulations.	models that involve an element of lending.
	<b>6. Design Aspects of the Regulatory Sandbox</b>	6.1 – Sandbox Cohorts and Product/ Service/ Technology, Section 6.6 – Extending and Exiting the Sandbox	Consumers may take time to understand and implement new digital technologies. Participants should be able to extend the RS timelines (with the RBI's permission) if they think that the public needs time to adapt.
		6.1 – Sandbox Cohorts and Product/ Service/ Technology, 6.4 – Number of entities to be Part of Cohort	<p>Currently the Draft Framework provides that only a limited number of entities can participate in the RS a particular time (i.e., 10-12). However, there may be several prospective entities (Indian and overseas) that satisfy the requirements for participation, but cannot be enrolled due to the threshold having been filled.</p> <p>The Draft Framework should clarify that this limit is flexible, and may be varied at the RBI's discretion.</p>

Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox		
		6.1.1. Innovative Products/ Services	It may be clarified that the product may be a combination of these services.
		6.1.1. Innovative Products/ Services	It may be clarified that the RBI may add to the list of products and services to allow for innovative products.
		6.2. Regulatory Requirements/Relaxations for Sandbox Applicant	Statutory restrictions may be waived in consultation with the RBI for the duration of the RS project. For instance, a Fintech entity can carry out lending activities in connection with its product without a Bank/NBFC license.
		6.2 – Regulatory Requirements/ Relaxations for Sandbox Applicant, 6.5.1 – Fit and Proper Criteria for Selection of Participants in RS – Part (h)	Data theft and intellectual property protection is a primary concern for all participants introducing new technologies. Provisions dealing with confidentiality of proprietary information should be introduced for all parties involved.



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		6.5 Fit and Proper Criteria for Selection of Participants in RS – Part (a)	Incorporation in India entails cost and procedural compliance. This may disincentivize foreign solution provider from applying, and prevent innovative solutions from being applied in India. Local incorporation should not be required as a pre-condition of application. This may be specified as a continuing condition if selected for the RS.
		6.5 Fit and Proper Criteria for Selection of Participants in RS – Part (a)	Other incorporated entities like LLPs, etc., may be allowed to increase flexibility for the applicants.
		6.5 Fit and Proper Criteria for Selection of Participants in RS – Part (b)	Similarly, high minimum net worth requirement may disincentivize applicants. This may be reduced/waived off for applicants, on a case-to-case basis.
		6.6 – Extending or Exiting the Sandbox	The discretionary discontinuation of the RS by the RBI may be a disincentive for participants. Any discontinuation should be subject to reasonable advance notice and consultation.

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	9. Disclosures	RBI may publish relevant information about the RS and applicants.	It may be clarified that such information would not include proprietary product information or trade secrets.
	Additional Suggestion	-	It should be clarified that once the participant exits the RS and obtains necessary licenses, it should not be required to participate in the RS again when they introduce any changes or enhancements to their technology – such changes can be dealt with under the license issued to the participant in consultation with the RBI.
22	<p>At the outset, we are delighted to note the proposed development of Regulatory Sandbox (RS) aimed at encouraging innovation across financial products and services. We firmly believe that the industry can drive financial inclusion, operational efficiency, superior product development processes and customer service with enhanced and differentiated use of technology. Therefore, RS shall play a crucial role in this regard, by creating a well governed environment to run calibrated projects.</p> <p>With reference to the draft “Enabling Framework for Regulatory Sandbox” guidelines released on 18th April 2019, we would like to submit the following:</p> <p>Section 4.4: We propose that for successful pilots, as defined and agreed by the entity and the regulator at time of entry into the sandbox, there be a define pathway comprising of (a) “scale up phase” within purview of the sandbox relaxations; and (b) time-bound</p>		



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	<p>incorporation of such a relaxation into prevalent regulations on permanent basis so that the entities who invests time and effort to drive sustainable innovation may be able to prepare for scale up and ensure continuity of product/service till formal regulatory approvals are obtained.</p> <p>Section 6.2: There is significant scope for innovation in how the objectives around KYC/AML may be fulfilled through use of technology. We recommend that those innovations be included in the scope of regulatory sandbox, and Section 6.2 requirements may apply in the sense of preserving the principles rather than the prescription of KYC/AML processes as they exist today.</p> <p>In order to provide clarity to entities entering the regulatory sandbox, we request that a formal "No-Action Letter" may be issued, capturing the terms of regulatory relaxations available during their pilots inside the regulatory sandbox for the specific innovation that the entrant proposes to demonstrate. This will provide certainty around these relaxations not just during that period, but also as future reference and record of such relaxations.</p> <p>We are also attaching a concept note for your kind perusal, demonstrating innovation in three important aspects - [REDACTED]</p> <p>We shall be honoured to participate further in the program and are committed to share all requisite information for necessary assessment/screening by the esteemed Regulator.</p>
23	<p>Entity 23 [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

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	<div data-bbox="467 264 1394 571" style="background-color: black; height: 137px; width: 100%;"></div> <p data-bbox="467 571 1394 1131">Governments worldwide recognize the importance of the fintech industry in the context of their overall economic growth and it is imperative for India as well to match the global initiatives for this promising domain. Innovation is transforming the financial services industry at a rapid pace, with the fintech sector at the forefront of it. From large public/private sector banks to start-ups, there is growing participation from new players offering unique product offerings. With the fintech sector witnessing such fast paced progress, it has become important to develop a governing mechanism that can further guide the growth of this sector, while providing the regulatory oversight that ensures effective consumer protection.</p> <p data-bbox="467 1131 1394 1489">The introduction of "Regulatory Sandbox" by RBI is set to be an effective catalyst that will encourage the sector growth. The opportunity given to stakeholders by the RBI to share their concerns in response to the draft framework is a welcome step and we thank the RBI for the same. While the framework, as it stands, is a great first step, there is still scope for accommodating suggestions for reforms.</p> <p data-bbox="467 1489 1394 1646">With a view to making the regulations more effective and impactful, we are proposing the following recommendations (attached) on the Draft 'Enabling Framework for Regulatory Sandbox'.</p> <p data-bbox="467 1646 1394 1803">We hope the inputs are useful and will be considered by RBI. We can we reached out at the coordinate mentioned below for any specific queries on the submission.</p> <p data-bbox="467 1803 1394 1919">The introduction of "Regulatory Sandbox" is set to be an effective catalyst that will help encourage the sector growth. The opportunity</p>



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	given to stakeholders by the RBI to share their concerns in response to the Draft Framework is a welcome step and we thank the RBI for the same. While the framework, as it stands, is a great first step, there is still scope for accommodating suggestions for reforms. With a view to making the regulations more effective and impactful, we are proposing the following recommendations:								
	<table><tr><th>Key Issues</th><th>Rationale</th><th>Recommendations</th></tr><tr><td><b>Regulation pertaining to entry:</b> The draft framework mandates only start-ups that are up to 10 years old and with a turnover not exceeding INR 100 crore to participate in the regulatory sandbox. This norm disallows collaborations/ strategic partnerships between start-ups and incumbents.</td><td>The mandate for eligibility of an entry should be based on the strength of the idea, with aspects such as the net worth and firm's experience to be secondary. The restriction on partnership between start-ups and incumbents would constrain innovation and adversely impact the ability of small entities from innovating and competing. Further, the draft also restricts the entities that do not fulfil the definition of a start-up, which may</td><td>RBI should consider a more inclusive entry selection criteria based on the effectiveness of the solution/ idea proposed by an entity. Certain relaxation can be provided under the "Fit and Proper" criteria. The RBI should not restrict partnerships between start-ups and incumbents as many start-ups leverage current technology and expertise of incumbents to build new models around it. Most regulatory sandboxes such as Australia, Hong Kong, Canada and the EU allow incumbents to participate in collaboration with start-ups.</td></tr></table>	Key Issues	Rationale	Recommendations	<b>Regulation pertaining to entry:</b> The draft framework mandates only start-ups that are up to 10 years old and with a turnover not exceeding INR 100 crore to participate in the regulatory sandbox. This norm disallows collaborations/ strategic partnerships between start-ups and incumbents.	The mandate for eligibility of an entry should be based on the strength of the idea, with aspects such as the net worth and firm's experience to be secondary. The restriction on partnership between start-ups and incumbents would constrain innovation and adversely impact the ability of small entities from innovating and competing. Further, the draft also restricts the entities that do not fulfil the definition of a start-up, which may	RBI should consider a more inclusive entry selection criteria based on the effectiveness of the solution/ idea proposed by an entity. Certain relaxation can be provided under the "Fit and Proper" criteria. The RBI should not restrict partnerships between start-ups and incumbents as many start-ups leverage current technology and expertise of incumbents to build new models around it. Most regulatory sandboxes such as Australia, Hong Kong, Canada and the EU allow incumbents to participate in collaboration with start-ups.		
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		restrict some players from participating in the sandbox.	
	<b>Inadequate system for legal support:</b> As per the draft framework, the RBI only provides limited legal support and does not offer any legal waivers to entities participating in the sandbox. The regulation does not clearly define what shall be covered under the term "legal waiver".	It doesn't align with the spirit of a sandbox, an instrument designed to provide a safety net to the innovators. This may further affect the confidence of the participants, who may feel reluctant to test their products. Therefore, it is pertinent that the RBI clarifies the legal relaxation that the fintech companies would be offered during the sandbox period.	The RBI should issue a "legal wavier" to an entity against any adverse regulatory action during the period of the sandbox trial.  <input type="checkbox"/> An instrument of legal wavier with clear definition should be developed to increase participation of the innovators and to safeguard the rights of the consumers. The RBI can look into the "No Action Letter" issued by the Consumer Finance Protection Bureau.
	<b>Inadequate system for protection of intellectual property:</b> The draft framework	This norm will result in significant loss of confidence amongst the applicants, especially those who don't have	The RBI should develop a clear mechanism for the protection of intellectual property rights.  RBI should ease the mandate pertaining to



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	<p>provides non-assuring protection mechanisms for innovators' intellectual property. It requires the participants to share the PoC (proof of content) results, wherein RBI hold the rights to circulate any sort of related information, including technology transfer.</p>	<p>patent rights, potentially increasing the risk of leaking confidential information in the public domain. The sandbox should work more strongly towards protecting the confidential ideas/products developed by the innovators.</p>	<p>sharing of any data about results/ outcome, with a view to encouraging innovators, whether big or small, to participate.</p>
	<p>Exclusion of crypto-related start-ups/entities: In the draft framework, the RBI has excluded crypto-related start-</p>	<p>RBI's decision to keep cryptocurrencies, trading of cryptocurrencies and initial coin offerings out of the purview of the regulatory sandbox may potentially</p>	<p>RBI should not exclude cryptocurrencies from the sandbox as it potentially hinders innovation around important technologies like blockchain. A regulation around crypto should be worked upon instead of imposing a blanket ban.</p>

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	<p>ups/entities from using the regulatory sandbox, though blockchain start-ups have been allowed.</p>	<p>restrict innovation. The cryptocurrency is an important component of the blockchain and without its inclusion in the sandbox, it will be a challenge to test smart contracts and other approved blockchain technologies.</p>	<p>The regulatory sandbox should be open to newer technologies and innovations. The platform is intended to act as a mentioning instrument for the innovators and thus should not be limited to few technologies only.</p>
	<p>Exclusion of credit information: The draft framework proposes a list of positive activities that can participate in the regulatory sandbox and similarly a negative list. One of the exclusions is "credit information" which poses</p>	<p>The exclusion of credit information as an activity that can be sandboxed potentially inhibits innovation, contradicting the basic principle of a regulatory sandbox. The exclusion would restrict innovation when it is severely required. The inclusion would enable leveraging of alternative data (like utility/telecom payments) as credit information (for</p>	<p>Credit information should be added in the positive list of activities, eligible to be sandboxed under the framework. The credit information is important from the perspective of fostering innovation towards financial inclusion in the country.</p>



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	certain apprehensions.	discerning creditworthiness). It is a given fact that credit remains under-penetrated in our economy, and this exclusion would further worsen the situation.	
	<p>General Recommendations</p> <ul style="list-style-type: none"> <li>• Post-sandbox testing, a successful experimenter may still require regulatory approvals, prior to the product and services or technology being allowed for wider use in the open market. The RBI should allow the successful products to be directly launched in the open market, basis the regulatory approvals acquired during the testing.</li> <li>• The time period of 26 weeks for sandbox testing is not sufficient given the geographical expanse of our country, diversity of languages and the disparate levels of access to technology and banking instruments. It is recommended that the RBI considers a more viable time frame.</li> <li>• The RBI has made it mandatory for the participants to mention an acceptable exit and transition plan. By virtue of its nature, a regulatory sandbox is supposed to provide a test bed for ideas, some of which will take elaborate time to mature and further, those final ideas may actually be tweaked/ modified vis-à-vis their original form. Thus, a clear exit clause seems to be making too many suppositions and restricting the very process of innovation. It is recommended that the RBI consider easing the clause to facilitate innovation.</li> </ul>		

Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
24	<p>At the outset we would like to congratulate the Reserve Bank of India (RBI) for taking this positive step towards enabling a regulatory sandbox and seeking public comments on the proposed framework. As the representative of the information technology industry, we also thank RBI for this opportunity to present our views and suggestions on the draft Enabling Framework for Regulatory Sandbox which is aimed at promoting financial inclusion in the country.</p> <p>Based on inputs from our members and other stakeholders, we have prepared our feedback which has been attached with this email. We are happy to provide further clarification and assistance on any of the issues pertaining to our submission.</p> <p><b>1. Eligibility criteria</b></p> <p>According to the draft framework, "the target applicants for entry to the regulatory sandbox are FinTech firms which meet the eligibility conditions prescribed for start-ups by the government." Accordingly, the companies which have been incorporated or registered for over 7 years with the exception of firms in the biotechnology sector – for which the prerequisite is 10 years, and additionally have a turnover of more than Rs 25 crore in any budgetary year since their incorporation or registration, are barred. The proposed regulations exclude FinTech firms who are not start-ups as per the above definition. This would exclude innovation of a collaborative nature between incumbents and start-ups, constricting the efficient functioning of a sandbox. Many start-ups leverage current technology and expertise of incumbents and build around that – most regulatory sandboxes Australia, Canada and EU allow incumbents and in fact Hong Kong only allows established companies.</p> <p><b>Suggestion:</b> The scope of the regulatory sandbox should include start-ups and established firms as the objective is beyond encouraging start-ups – it is to encourage innovation with safeguards and oversight. As long as the innovation is intended for the Indian market, it should be eligible.</p>



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	<p><b>2. Number of FinTech entities to be part of a cohort</b></p> <p>While we understand the stand of the RBI to be selective about the FinTech entities participating in the sandbox, we do not agree with the provision in the draft guidelines which says, "the focus of the regulatory sandbox should be narrow in terms of areas of innovation, and limited in terms of intake. The regulatory sandbox shall begin the testing process with 10-12 selected entities..." After our consultation with various start-ups, we are of the view that the number of start-ups engaging should not be capped to 10-12, but to most of the eligible cases. This will allow greater flexibility while shortlisting the participants.</p> <p><b>Suggestion:</b> The guidelines should not specify a cap. The criteria and the selection process should determine the eligibility. If more start-ups qualify then that should be welcomed. Issues around capacity in managing the sandbox should be appropriately addressed to meet the requirements.</p> <p><b>3. Exclusion from sandbox testing</b></p> <p>In the draft guidelines, the RBI has provided an indicative negative list of products/services/technology which may not be accepted for testing. These include, credit registry, credit information, crypto currency/crypto assets services, trading/investing/settling in crypto assets, initial coin offerings, chain marketing services and any product/services which have been banned by the regulators.</p> <p>The RBI had in April 2018 prohibited banks, NBFCs and Payment System Providers in dealing with Virtual Currencies due to the various risks associated in dealing with such virtual currencies. An earlier circular issued in 2013 lists out the risks. These include hacking, loss of password, compromise of access credentials, malware attack, and lack of consumer redress, volatility / speculation, legal concerns and money laundering. Conceptually, a better understanding of the risks can be developed in a sandbox and it can help determine the appropriateness of the safeguards required. Other progressive</p>



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	<p>regulators including UK, allow such innovations to participate in their regulatory sandbox. In any case, products which are prohibited in India will not be permitted in the market, however, it might still be useful to not exclude them for the purpose of sandbox as that can help the regulator develop a better understanding of the risks. The FinTech industry could also participate with an understanding that acceptance in a sandbox would not automatically qualify them for any regulatory waiver.</p> <p>The regulations aim to exclude other products/ services and technologies which are not otherwise prohibited. Removal of "credit information" as an activity that can be sandboxed potentially inhibits innovation around leveraging alternative data (like utility/telecom payments) for discerning creditworthiness of customers. We are of the view that at a time when credit remains under-penetrated in our economy, this exclusion will foreclose innovation where we need it the most.</p> <p>Also, the decision to keep cryptocurrencies, trading of cryptocurrencies and initial coin offerings out of the purview of the regulatory sandbox, is still not clear. Since crypto coins and tokens are an important component of the block chain technology, the draft regulations appear to exclude testing of smart contracts and other approved block chain technology under the sandbox.</p> <p><b>Suggestion:</b> Products and services which are otherwise not prohibited under regulations should not be excluded from the sandbox. These would include credit information, credit registry and applications of block chain/ DLT etc. Dealing in virtual currencies by banks etc. is prohibited by the RBI. However, these should be permitted in the sandbox with an understanding that participation in sandbox would not entitle them to any regulatory permission. This would be aligned to the objective of enabling innovation with adequate safeguards.</p> <p><b>4. Criteria for Selection of Participants</b></p>

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	<p>The draft regulatory sandbox framework mandates applicants to share the results of proof of concept /testing of use cases before getting admission into sandbox for testing. By virtue of its nature, a regulatory sandbox is supposed to provide a test bed for ideas some of which will take a lot of time to mature and further those final ideas may actually get tweaked from what the original idea was. Thus, mandating applicants to have a tested proof of concept first and a clear exit clause seems to be making too many suppositions and restricting the very process of innovation.</p> <p>The draft rules additionally require a satisfactory CIBIL or equivalent credit score of the promoter(s)/director(s)/entity. The requirement for such prohibitive mandate is unclear since there is also a separate prerequisite, which says that "the conduct of the bank accounts of the entity as well its promoters/directors should be satisfactory" along with the net worth requirement of Rs 50 lakh. In the Indian setting, a considerable lot of the start-ups, particularly technology start-ups, are driven by students of different educational institutes. For a significant number of them, fulfilling the 'CIBIL or equivalent credit score' basis might be troublesome as they might not have ever gotten/ applied formal credit. It is also unclear what a 'satisfactory' credit score entails since there are no details given about how this aspect is to be judged.</p> <p><b>Suggestion:</b> The criteria should be around (i) significance of the proposed innovation, (ii) potential consumer benefit, and (iii) the difficulty in taking the proposed innovation to the market without the use of regulatory sandbox. In terms of readiness, the applicant should be required to submit a well-developed testing plan with clear milestones and success criteria. In terms of 'fit and proper criteria', the applicant should be required to demonstrate that adequate resources to participate and use the regulatory sandbox are available at the entity's disposal and in case it requires involvement of any other entity – appropriate business contracts are in place.</p> <p><b>5. The Sandbox Process</b></p>



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	<p>The entire sandbox process is divided into different stages which will last for a total period of 26 weeks. While we understand that this time period is almost same as the 6 months' duration considered as 'appropriate duration for testing' by the UK's Financial Conduct Authority (FCA), it seems to be less in the Indian context given the geographical spread of our country, languages and different levels of access to technology and banking instruments. Thus, this may not be a viable time frame.</p> <p><b>Suggestion:</b> We would like to suggest that applicants should themselves specify the expected time frame for the test and the RBI should then decide the time frame based on the need to the company. An upper time-limit of one year may be provided which should be extendible by another six months based on the merits of such request, if any, from the applicant.</p> <p><b>6. Risks and limitations</b></p> <p>There is a lack of clarity on the legal relaxation that would be provided to FinTech companies during the sandbox period. The framework mentions that one of the limitations of the sandbox may be the inability of RBI to offer any legal waivers. Since regulatory relaxation appears to be a necessary condition for a sandbox experiment and it is a form of (limited) waiver, it is not clear what is intended to be covered by the expression "legal waiver".</p> <p><b>Suggestion:</b> We understand that RBI cannot give regulatory waiver from a law. However, it can frame regulations which are conducive to the enablement of an effective sandbox and also give waivers from specific regulations framed by it for the sole purpose of testing. As part of the sandbox tools, it can also guide the entity on how the RBI regulations may apply to the proposed innovation. UK, for example, provides for such tools including - limited authorisation for the purpose of testing, waiver or modification of rules and 'no enforcement' action letters. We suggest that the RBI should consider inclusion of these tools to make the sandbox truly useful.</p>



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	<p><b>Other Suggestions:</b></p> <p><b>7. Need to appoint a mentor</b></p> <p>Even as the draft guidelines cover most of the aspects of the regulatory sandbox, we are of the view that ideally a mentor should be allocated to every selected start-up by the RBI. The move will enable these companies to better understand the regulatory framework and also get hand holding during the different stages of testing.</p> <p><b>8. Sandbox approval process</b></p> <p>The regulations should provide for a sandbox approval process which is transparent and has industry participation. We suggest:</p> <ol style="list-style-type: none"> <li>Application submission (format of to be published by the RBI)</li> <li>Evaluation of the application (a panel should be formed comprising of RBI and industry representatives. The role of the industry representatives should be to provide inputs on the nature of innovation and the potential benefits to the consumers.)</li> <li>Publication of approved innovations along with reasons based on which the said innovations were selected.</li> <li>Publication of rejected innovations along with reasons based on which the said innovations were rejected.</li> <li>Publication of progress reports and results of the innovation testing and lessons learnt.</li> </ol> <p><b>9. Need for public consultation</b></p> <p>In order to ensure transparency in the regulatory development process through the sandbox, we suggest that RBI should conduct regular public consultations. This norm is adopted in most of the countries and it would serve as an important component in terms of regulatory development process adopted by the regulatory sandbox. For example, in Australia, the Payment Systems (Regulation) Act 1998 requires the Payments System Board (PSB) 5 to conduct public consultations in matters where it proposes the imposition or variation of an access regime or standard. In particular, the PSB is required to</p>

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	<p>publish a notice summarising the purpose and possible effects of its actions, invite people to make submissions within a specified time and consider any submissions that are received. Moreover, the PSB is also bound by general notification obligations, which require it to publish notice, and ensure that participants in the payment system are informed of actions involving the imposition or variation of an access regime or standard.</p> <p><b>10. Set global standards</b></p> <p>We propose that the regulatory sandbox should be envisaged as a platform which is utilized by innovators across the world. This would not only help India in adopting new technologies but also equip India to set global standards and best practices in the FinTech sector. UK's FCA has adopted a similar model and is promoting global regulatory sandbox aimed at solving common cross-border regulatory problems, through tests.</p> <p><b>11. Virtual sandboxes</b></p> <p>We completely agree with the idea of promoting limited-scale testing of new products in the sandbox, however, there are situations when a test environment does not exist or is barrier in terms of entry into the sandbox. In such cases, there should be a provision for participant firms to test their solutions virtually without entering the real market.</p>
25	<p>Greetings from Entity 25</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>





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	S. No.	Entity 25 Comments, Queries	Section
	1	Need more details on some financial inclusion products to be supported.	Point 6.1.1 and 6.1.2,
	2	What is the exact scope for the digital payments? What are the specific standards and test plans? Need to specify those	Point 3.3
	3	Is any RuPay or NPCI products (EMV) are part of RS scope?	Point 3.3
	4	Is RBI looking for any specification or standards writing with respect to these drafts for the ecosystem?	
	5	Who is going to develop this RS for Industry? Is RBI going to open RFP for this RS draft implementation?	
	6	Can we have different timelines and duration for each FinTech innovation company based on their innovation category mentioned in RS draft?	Point 7.2
	7	Post sandbox testing, does the participating entity get the accreditation by RBI to market the products and service for wider deployment?	Point 7.2
	8	Draft describes innovative products and existing technology gap and proposed solution to be stated and the same in section 9 states the RBI right to publish relevant information about RS entity, this may lead to patent, intellectual issues of any sort of clue on the problem addressed and solution to competitors?	Point 4.4



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	9	If Entity is not qualified for RS or not willing to be a part of RS testing, does entity still qualified legally to run business with new products and service with proven concept internally and field test as current practice without RS?	Point 6.5.2 and Point 9
	9	If Entity is not qualified for RS or not willing to be a part of RS testing, does entity still qualified legally to run business with new products and service with proven concept internally and field test as current practice without RS?	Point 6.4
	10	RBI has specified mandatory regulatory requirements such as "Security of Transactions" "Secure storage of and access to payment data of stakeholders" How are these requirements assessed, are there any specific standards for conformity and who will assess these requirements?	Point 6.2
	11	Many FinTech solutions are currently built on different standards. The objective of the RS is to not only raise the standards on security and data privacy, but also to allow scalable rollout of new FinTech solutions. How does the RBI plan to get the industry to agree to on critical elements such as common data models, APIs, AI and relevant architecture?	Point 6.1.2

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26	<p>Sub : Enabling Framework for Regulatory Sandbox</p> <p>Ref : RBI - Press Release dated April 18, 2019</p> <p>We take this opportunity to thank RBI for coming out with this path breaking initiative which we are sure would go a long way in supporting innovative products and processes in the financial services segment of the country.</p> <p>Having gone through the draft framework, we wish to seek your guidance on the following points before the final Framework is released:</p> <ol style="list-style-type: none"> <li>1. As per Sec 5, FinTech firms which meet the eligibility conditions prescribed for start-ups by the government which limits the turnover (less than Rs. 25 crore), vintage (less than 7 years), constitution (private limited, partnership or LLP) to be eligible to take part in RS. In this connection, kindly clarify whether the market players like banks and NBFCs operating in the FinTech area that are capable of coming up with products that could fit the Regulatory Sandbox (RS) would be eligible for participating in RS.</li> <li>2. As per Sec 6.5.1 (a), the entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. We request you to kindly clarify the applicability as this as this notification that was modified vide Gazette notification No G.S.R 34 ( E) dated Jan 16, 2019 was suppressed by Gazette notification G.S.R 127 ( E) dated Feb 19, 2019.</li> </ol>
27	<p>Congratulations on moving ahead and releasing the draft for setting up the Regulatory Sandbox. [REDACTED]</p> <p>[REDACTED]</p> <p>Please see below our quick thoughts and questions on the draft released by you</p> <ul style="list-style-type: none"> <li>• What kind of data protection would be provided by you to keep our Intellectual Property Rights secured? We would be interested to know</li> </ul>



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	<p>how would our idea be protected from other peers in the sandbox and in the market.</p> <ul style="list-style-type: none"> <li>• Would we get a trademark for the product/ idea tested by us in the sandbox?</li> <li>• Can we simultaneously sell the product being tested in the sandbox, considering the timeline of the sandbox is 26 weeks?</li> <li>• We understand that you would provide the appropriate regulatory support by relaxing specific regulatory requirements. Would you give more details about the legal support that we can expect at your end?</li> <li>• Would you provide us a physical infrastructure or an IT infrastructure to carry out the test? Could you give more details around the kind of technology support that we can expect from you.</li> <li>• Is the application to this sandbox cyclical? i.e. in First round you take 10 firms and after certain time you take another 10 firms etc.?</li> <li>• Is there any liability issues in case of failed testing? How are we protected?</li> <li>• Are there are any costs associated with the sandbox or for accessing data within Sandbox?</li> </ul> <p>Thank you and look forward to working with you.</p>
28	<p>Entity 28 thanks the Reserve Bank of India (RBI) for the opportunity to comment on the Draft "Enabling Framework for Regulatory Sandbox". We note that the RBI recognises the importance of public-private dialogue to co-create policies for a better digital future for all. The Entity 28 commends the RBI for suggesting a comprehensive framework for a regulatory sandbox to support India's rapidly evolving fintech space. Regulatory sandboxes have been accelerating innovation throughout Asia Pacific, and have allowed many more non-traditional financial services industry (FSI) players to develop the variety of financial services provided to citizens.</p> <p>_____</p> <p>_____</p> <p>_____</p>

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	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>We would suggest that the RBI possibly look at Fast-Track approvals, similar to what Singapore has created as part of its Sandbox Express, to boost innovation in the fintech sector.</p> <p>I would be happy to speak further with the RBI on the draft enabling framework or host a vendor-neutral discussion between the RBI and other members of the industry from the Entity 28 to provide feedback.</p>
29	<p>Our comment/Suggestion on RS.</p> <p>6.5 Under Fit and Proper Criteria for Selection of Participants in RS. One of the eligibility (Criteria) is that "The entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet" which may not be practical for innovative-thinking companies. If the Net Worth would not be rationalized, it may encourage back- the entry of a firm which has money power but lacks innovation.</p> <p>The points "Areas that can potentially get thrust from the RS include microfinance, innovative small savings, and micro-insurance products, remittances, mobile banking, and other digital payments" may control the scope of the broader, relevant and low-cost that emerging technology, or use of existing technology in an innovative way. Instead, it would encourage all good if their emerging technology leads to cost and time saving and be compliant.</p> <p>Our experience: One of large bank's IT-based incubation department has assigned to find emerging technology from outside the bank which may help existing bank (any) process to save cost and time, has found our is eligible, but struggle to arrange a meeting with a respective department with us for two quarters.</p>



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30	<p>Entity 30 [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>We appreciate and welcome the initiative of "Framework for Regulatory Sandbox" and looking forward for opportunities.</p>
31	<p>Please see attached our feedback to the above-named framework. We'd like to thank RBI again for the opportunity to respond. If RBI have any comments or queries please do get in touch with me and Entity 31, [REDACTED]</p> <p>Feedback to Reserve Bank of India's Draft "Enabling Framework for Regulatory Sandbox"</p> <p>Entity 31 would like to thank the Reserve Bank of India ("RBI") for publishing its draft Enabling Framework for Regulatory Sandbox (the "Draft Framework") and providing an opportunity for the industry to provide comments. We fully agree with the RBI's policy of setting up an inter-regulatory working group and to produce a framework for a regulatory sandbox.</p> <p>FinTech innovation is a dynamic and significant source of future growth and jobs for India, and Entity 31 is proud to be a member of this emerging ecosystem. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

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	<div data-bbox="435 255 1359 309" style="background-color: black; height: 24px; width: 100%;"></div> <div data-bbox="435 309 1359 362" style="background-color: black; height: 24px; width: 100%;"></div> <div data-bbox="435 362 694 416" style="background-color: black; height: 24px; width: 162px;"></div> <p data-bbox="435 423 1359 566">Based on our experience in this area, including on similar initiatives in other jurisdictions, we set out below some comments for RBI to consider when finalising the Draft Framework.</p> <p data-bbox="435 573 1359 714">Please note we would kindly request that the contents of this response remain confidential although we would be happy to be listed as a respondent.</p> <p data-bbox="435 721 1359 1328">1) The Draft Framework is a result of the working group on FinTech and Digital Banking that included representatives from the Securities and Exchange Board of India ("SEBI"), the Insurance Regulatory and Development Authority ("IRDA") and the Pension Fund Regulatory and Development Authority ("PFRDA"). However, it is not clear what role these additional regulators will play in developing the sandbox going forward. Most importantly, it would be useful to clarify that while an application to be in a sandbox cohort is submitted to RBI, the terms and conditions applicable to any regulatory relaxation will include references to any applicable SEBI, IRDA and PFRDA regulatory requirements such that the sandbox can be relied upon on a cross-sectoral basis.</p> <p data-bbox="435 1335 1359 1870">2) Section 5 of the Draft Framework refers to the regulatory sandbox as being targeted at FinTech firms which meet eligibility conditions prescribed for start-ups by the government. However if promotion of innovation is the primary objective of the Draft Framework, then the sandbox should be available for testing all eligible technologies that meet the test in section 6.5.3. This should include established financial services providers who may need the sandbox for product-testing. In practice, collaboration between incumbents and start-ups is key for innovation, and the sandbox should facilitate this by being available to entities which are not start-ups.</p>



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	<p>3) Section 5ii of the Draft Framework refers to a need to temporarily ease regulations for enabling proposed innovation, and sections 6.2 and 8 set out further details on relaxation of regulatory requirements. However, section 4.3 states that the RBI or the regulatory sandbox cannot provide legal waivers. We would recommend a clearer statement on the legal status of any relaxed regulatory requirements (including the legal basis upon which this is being given), in order to provide clarity to applicants. For instance, does such relaxation constitute a no-action letter and is RBI authorised to provide this under applicable laws? The same question can be asked in respect of any SEBI, IRDA or PFRDA requirements being relaxed.</p> <p>4) We would suggest that distributed ledger technology (in addition to blockchain), quantum computing and cloud be included as innovative technologies in section 6.1.2. While such technologies may in the first instance appear to be "back-end" from a consumer perspective, innovation in these areas can expedite innovation for consumers.</p> <p>5) We appreciate RBI's position in focusing on the list of innovative technologies set out in section 6.1.2 while avoiding technologies which could arguably have no tangible benefit to consumers. However, we would encourage RBI to ensure some flexibility to override section 6.3 where some of the technologies can be shown to have use-cases which benefit consumers. For instance, crypto-assets may constitute useful technology for purposes of creating digital identities which may be helpful in solving inefficiencies in KYC and anti-fraud processes (we appreciate this use-case may be captured through the general inclusion of distributed ledger technology however, so understand RBI's distinction here).</p> <p>6) Section 6.6 of the Draft Framework could also state that in some instances customers may need to be returned to their pre-testing / pre-sandbox state in order to ensure an orderly exit from the sandbox. This would make consumer protection more robust.</p>

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	<p>7) While we generally agree with the focus on transparency set out in section 6.8, we also suggest that applicants be able to request confidentiality of certain information where this can be justified on commercial grounds and where consumers would not be misled as to the operation of the sandbox or the entities participating therein.</p> <p>8) In addition to a domestic sandbox, we encourage RBI to consider the potential benefits of the Global Financial Innovation Network (the "GFIN") which was launched in January 2019. The GFIN is not intended to replace any domestic sandbox that member countries may have in place, but does promote cross border solutions for scaling innovative products and services</p>
32	<p>Following the release of the Draft Enabling Framework for the Regulatory Sandbox on 18 April 2019, I am writing to submit comments on the Draft Framework on behalf of Entity 32.</p> <p>The attached document provides our detailed response to this consultation, organised into five broad submissions supported by relevant research and reasoning. These are aimed at strengthening the proposals set out in the Draft Framework.</p> <ol style="list-style-type: none"> <li>1. Clearer regulatory objectives must support the vision and design of the Regulatory Sandbox.</li> <li>2. Restrictive eligibility criteria and entry conditions can risk defeating the objectives of the Regulatory Sandbox.</li> <li>3. The design of the Regulatory Sandbox must consider the extent of the RBI's jurisdiction and cross-sectoral effects.</li> <li>4. The design and processes of the Regulatory Sandbox must embed mechanisms to enhance transparency in decision-making.</li> <li>5. The consumer protection elements of the Regulatory Sandbox must be stronger to ensure that the costs of innovation are not externalised on Indian consumers.</li> </ol> <p>██</p> <p>██</p> <p>██</p>



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	<div data-bbox="475 385 1394 698" style="background-color: black; height: 140px; width: 100%;"></div> <p data-bbox="459 698 1375 900">We hope our submission will be useful for your deliberations. We will be happy to extend research support on any of these and allied themes that may arise in the process of finalising a framework for regulatory sandbox.</p> <p data-bbox="459 900 1369 1057">Comments to the Reserve Bank of India (RBI) on the Draft Enabling Framework for Regulatory Sandbox dated 18 April 2019 (the Draft Framework)</p> <div data-bbox="434 1057 1359 1482" style="background-color: black; height: 190px; width: 100%;"></div> <p data-bbox="411 1482 1343 1774">In this Response, we present our comments on the RBI's Draft Framework for the setting up of a Regulatory Sandbox (RS) in response to the call for comments from stakeholders (RBI, 2019). Our comments are organised into five broad sections, which will seek to convey and substantiate the following feedback to the Draft Framework.</p> <p data-bbox="402 1774 1327 1998">This Response seeks to provide constructive comments on the Draft Framework. We hope they will be considered and addressed in future iterations of the Draft Framework, related guidelines or notifications regarding the proposed RS.</p>

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	<p>1 Clearer regulatory objectives must support the vision and design of the RS The Draft Framework in section 2.2 (Objectives) envisions that the RS will be “a formal regulatory programme for market participants to test new products, services or business models with customers in a live environment, subject to certain safeguards and oversight” (RBI, 2019). The RS will seek to support the innovative use of technology to address existing problems and benefit consumers (page 3, RBI, 2019). This is laudable as a broad vision for the RS. However, the current Draft Framework stops short of setting out a clear, specific objectives that will guide the RS and hold it accountable. We submit that in order to achieve this vision, the RS must be supported by clearly articulated regulatory objectives and sub-objectives which should then be incorporated into its design and functions. There is growing consensus that a lack of clarity on regulatory objectives adversely affects the performance of a regulator (Roy, Shah, Srikrishna, &amp; Sundaresan, 2019). Most international models of RS identify a similar broad vision for the RS, but substantiate this with clearer objectives and sub-objectives. The Report of the RBI Committee of Household Finance (RBI, 2017) for instance when recommending an RS framework, identified the broad objective “enabling fintech innovation leading to the accelerated development of financial products and services customised to the unique needs of Indian households”. The Committee then emphasised the two elements which it expected the RS to champion i.e. (i) enabling fintech innovation and (ii) development of customised financial products.</p> <p>Similarly, the US Consumer Financial Protection Bureau’s (CFPB) Project Catalyst, the earliest version of a regulatory sandbox operating today, adopts a similar approach (Wechsler, Perlman, &amp; Gurung, The State of regulatory Sandboxes in Developing Countries, 2018). All of the CFPB’s operations including the regulatory sandbox are informed by the objective in its governing statute (Dodd Frank</p>



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	<p>Wall Street Reform and Consumer Protection Act 2010), i.e. "to ensure that the markets for consumer financial products and services operate efficiently and transparently to facilitate access and innovation." In the case of the sandbox, the CFPB used this statutory directive to arrive at the narrower objective of encouraging consumer friendly innovation which it further qualifies through a six-point (non-exhaustive) list</p> <p>(Consumer Financial Protection Bureau (CFPB), 2016):</p> <ul style="list-style-type: none"> <li>i. Expand access of financial products to the underserved population;</li> <li>ii. improve consumer's control over their economic decisions and help consumers adopt savings and spending habits in line with their long-term aspirations;</li> <li>iii. reduce prices for consumers through increased competition or adoption of technology that reduces operating costs;</li> <li>iv. increase features and functionality so that consumers can benefit from products that (a) work better (b) easier (c) quicker (d) or are more widely available;</li> <li>v. enhance safety and security of products including by incorporating better defences against data breaches, mechanisms to avoid or reduce errors and efficient correction of errors that may occur, and</li> <li>vi. promoting transparency and consumer understanding of the products.</li> </ul> <p>Achieving a similar clarity on the objectives for the proposed RS will create a better benchmark to which the design, functions and decisions of the RS can be aligned. These objectives should transcend the objective of merely enabling private businesses to test the viability of their offerings. A narrow objective like that is perhaps best left to the markets or for private incubators. The RS framework should concern itself with the impact that an offering can have on the financial ecosystem, especially quality of consumer outcomes, consumer protection and expanding users' access to safe financial products.</p>

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	<p>The text of the Draft Framework already indicates certain underlying regulatory objectives that could be made explicit in future guidelines. These are highlighted below.</p> <p>i. To identify and mitigate new risks: Section 3.1 (Benefits) of the Draft Framework identifies the potential of the RS regime to identify new and attendant risks of emerging technology to arrive at the appropriate regulatory stance. This should be a foundational regulatory objective of the RS regime, as it is the key reasons for the development of this regulatory technique. By clearly delineating the risks associated with the deployment of new technology, the RS has the potential to educate the regulator on the attendant risks and provide the empirical information needed to design a proportionate regulatory regime.</p> <p>ii. <b>To expand access and delivery of relevant, low-cost financial products:</b> Section 2.1 (<i>Regulatory Sandbox</i>) of the Draft Framework emphasises on the ability of the RS to develop “<i>innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products</i>”. This objective is integral to objectives of the RS given the need for widening and deepening access to suitable finance in India.</p> <p>iii. <b>Support consumer choice and welfare:</b> The RS should articulate a clear objective to indicate the types of solutions that it will support. A readily available objective in this respect is found in section 6.5.2 (<i>Fit and Proper Criteria for Selection of Participants in RS</i>) which states that: “<i>the proposed FinTech solution should highlight an existing gap in the financial ecosystem and the proposal should demonstrate how it would address the problem, or bring benefits to consumers or the industry or perform the same work more efficiently</i>”. Elevating this to a regulatory objective will provide a timeless principle will guide the types of technology that should be tested in the RS. In the absence of such a clear principles, the RS might take an ad-hoc approach that could create uncertainty and arbitrariness.</p>



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	<p>The Draft Framework should commit to such clearer regulatory objectives, which should work along with time-tested principles to guide the processes and procedures of the RS, such as <b>proportionality of regulation, institutional neutrality</b> and <b>enabling competition</b> as set out in section 4.1 of this Response below.</p> <p>More importantly, the design and processes of the RS must be built to achieve these regulatory objectives. A crucial test of whether the RS objectives are meaningful will be the manner in which they inform the eligibility criteria of the RS.</p> <p><b>2 Very restrictive eligibility criteria and entry conditions could risk defeating the objectives of an RS</b></p> <p>The focus of the RS as described in section 5 (<i>Regulatory Sandbox: Eligibility Criteria for Participating in the Sandbox</i>) of the Draft Framework is to encourage innovations where (i) regulations are absent, (ii) need to be “temporarily eased” to enable innovation or (iii) where the proposed innovation can significantly ease/effect the delivery of financial services. Despite this wide focus and the broad vision, the provisions of section 6 (<i>Design Aspects of the Regulatory Sandbox</i>) create a situation where access to the RS is highly restricted. This risks defeating the very objective of establishing a sandbox. The objective of a sandbox is to understand the different innovations that emerging technology facilitates. The ability to identify risks and increase the benefits from new uses of technology is a significant opportunity that sandboxes offers policy maker s. Globally, the anchor for entry of entities into sandboxes is the use of new technology or the use of existing technology effectively to better financial services—consequently, no specific technology use is prohibited (Wechsler, Perlman, &amp; Gurung, 2018). Broad entry criteria are imperative to fulfilling this policy objective since restricting entry into the sandbox would limit the ability of the policy maker to understand new uses of technology in financial services which may</p>

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	<p>be offered by entities not allowed into the sandbox. Sandboxes around the world tend to allow a wide variety of entities to access their programme, and it is unclear why India should take a different approach (UNSGA Fintech Working Group and CCAF, 2019).</p> <p><b>2.1 The eligibility criteria must be aligned to the regulatory objectives of the RS</b></p> <p>The eligibility criteria for the RS limit its target audience of applicants to a small sub-set of fintech entities without a clearly discernible rationale. Below we highlight specific concerns that arise as a result, which could hamper the effectiveness of the RS.</p> <p>i. <b>Only technology start-ups can be RS applicants:</b> The Draft Framework requires that prospective RS applicants must be start-ups as defined by existing Indian notifications<sup>2</sup> (i.e. operating for less than 7 years with an annual turnover of less than 25 crore). The rationale for this restriction is unclear. Several innovative financial technologies that would benefit from the live-testing approach may be offered by other types of entities, including existing banks and financial institutions. If the objective of the RS is to support innovative uses of technology in financial services, then this criteria could defeat this objective by restricting the RBI from engaging with other non-startup entities in the financial sector that are developing and deploying these technologies.</p> <p>i. <b>RS applicants are required to have a minimum net-worth of INR 50 Lakhs:</b> The Draft Framework contains a blanket minimum net-worth of INR 50 lakhs for prospective applicants. While the rationale for this requirement might be to act as a risk buffer, this is not explicitly stated. Blanket, rigid criteria are generally not desirable in such situations. The principle of proportionality suggests that the intensity of any regulatory obligation be consistent with the risk that it potentially poses (Government of India, 2013). Moreover, a blanket threshold when pegged too high can have unintentionally excluding smaller, newer technology providers working on innovative services relevant</p>



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	<p>to the RS' objectives from the RS. The Draft Framework must set out the rationale for this net-worth requirement, and create proportionate formulation (that matches the risk posed and size of an RS applicant) to create a level playing field for all entities.</p> <p>iii. No principled basis for the inclusion and exclusion of technologies from the RS: Section 6.1 (Sandbox Cohorts and Product/Services/ Technology) presents two indicative lists of products/services and of technologies that will be allowed to be tested through the RS. Separately, section 6.3 (Exclusion from Sandbox Testing) provides an "indicative negative list" of products/services/technologies that will be excluded from the RS. No clear principle appears the guide the inclusion or exclusion of technologies or services from these lists. Such an approach is unusual in RS regimes and could be counterproductive for the RBI. Most jurisdictions evolve criteria for determining when an innovation can enter the RS, based on whether the proposed innovation uses a new technology or uses existing technology effectively to deliver a financial service (Wechsler, Perlman, &amp; Gurung, 2018). A list of approved or restricted innovations is not generally prescribed, and could potentially limit the regulator's policy objective of identifying and mitigating risks from different technologies. A list-based approach could also enable ad-hoc amendment and regulatory uncertainty, in the absence of a rationale and guiding principles. For instance, two items excluded from the sandbox through the indicative negative list—credit registry and credit information—are areas in which financial technology is creating significant innovations to overcome traditional barriers to better, and more suitable access to finance for Indian consumers and firms.</p> <p>The eligibility criteria and entry conditions for the RS merit re-consideration. Focussing solely on technology start-ups could create some inconsistencies, since even those technology startups who could potentially qualify within the criteria of the Draft Framework</p>

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	<p>need not be directly regulated by the RBI (but may offer their services under private contract to RBI regulated financial institutions). The design of the RS must take account of the RBI's jurisdiction and cross-sectoral effects.</p> <p>The Draft Framework proceeds on the basis that the RBI will establish the RS, and notes that the RBI can provide the regulatory support "by relaxing specific regulatory requirements (which the sandbox entity will otherwise be subject to)..." (page 10 of the Draft Framework). However some dissonances arise, especially on the issue of the RBI's regulatory authority with respect to tech-based entities.</p> <p>3.1 The RBI's authority with respect to non-financial sector entities is uncertain</p> <p>The design and eligibility criteria in the Draft Framework make it clear that the main participants of the proposed RS are intended to be technology start-ups. Many technology start-ups offering the innovative products, services or creating the technology included in the indicative lists (in section 6.1 of the Draft Framework) will not be directly regulated by the RBI or directly offer financial services. They may instead offer their technology services to RBI-regulated financial institutions under contract. Such technology service providers are currently outside the realm of RBI oversight, regulation and enforcement.<sup>4</sup> Their incentive to enter the RS is unclear, as the RBI will not have any ability to offer relaxations or clarity on regulation since these entities often operate outside financial sector regulations. The Draft Framework must to clarify whether the RS will only be open to technology start-ups which will offer financial services themselves OR will partner with a financial sector institution regulated by the RBI (to whom the RBI could provide relaxations, and over whom it has jurisdiction). Alternatively, the Draft Framework should clarify the framework and levers that will be used by the RBI to engage with non-financial sector entities.</p>



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	<p>The Draft Framework does appear to assume that proposals in the RS will pertain to financial services delivery. For instance, section 6.7 (Boundary Conditions) of the Draft Framework which indicates that the RS testing will operate in “a well-defined space and duration for the proposed financial service to be launched”. More practically, participants in the RS will need to have licensed or authorised financial sector partners in order to test products or services with consumers in a live environment in the RS.</p> <p>3.2 The RS must consider boundaries and overlaps across financial sector regulation</p> <p>Many services and technologies that would be allowed for testing under the RS will have an impact across the financial sector. For instance, wealth management services are one of the innovative services that could be tested in the RS per the Draft Framework. Offering this service will necessarily require the creation of bouquets of financial products—including credit products, insurance and pensions—that lie in the purview of other regulators like Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDA) or the Pension Fund Regulatory and Development Authority (PFRDA). This creates two sets of concerns regarding consistency across the financial sector due to:</p> <ul style="list-style-type: none"> <li>i. an overlap of regulatory mandates between financial sector regulators, and</li> <li>ii. the potential for varying or even contradictory requirements in the different proposed regulatory sandboxes in the Indian financial sector.</li> </ul> <p>The RBI's Draft Framework will need to consider a structured mechanism to seamlessly deal with these overlaps, especially given that other financial sector regulators intend to set up their own sandboxes. The available proposals appear to take different</p>

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	<p>approaches in relation to the jurisdiction of the regulator and the entities allowed to participate in their sandbox.</p> <p>The PFRDA's Exposure Draft Report on the potential regulatory sandbox to catalyse the growth of the National Pension System recognises the inter-regulatory issues involved given the nature of technology (PFRDA, 2019). It notes that many FinTech applications span across the domains of multiple regulators, and specifically states that the PFRDA sandbox will only be open to those entities already falling within the remit of PFRDA and also that the PFRDA would not be involved in facilitating approvals from other regulators (see page 41; PFRDA, 2019). Other detailed recommendations on the function and design of the sandbox are also included.</p> <p>The report of the IRDA's Committee on Regulatory Sandbox in insurance sector in India takes a slightly different approach (IRDAI, 2019). It recommends that registered insurers and insurance intermediaries be eligible for the sandbox, and Fintechs seeking to enter the sandbox show a minimum net worth of Rs 25 lakhs in the previous year or partner with an existing insurer or insurance intermediary to make a joint business proposal (see page 29, IRDAI 2019). It also notes that while it will accept entities that may be under other regulators' purview into the sandbox, it will play no role in facilitating approvals. The report further includes detailed recommendations on the function and design of the IRDA's proposed sandbox. Reports also indicate that SEBI is mulling the potential for its own regulatory sandbox (Economic Times, 2019).</p> <p>The RBI's Draft Framework appears to be taking a different stance with regard to its ambit and jurisdiction compared to the PFRDA and IRDA. This create inconsistencies since the relevant technologies are likely to be deployed across the financial sector. More widely, given the detailed recommendations that are evolving from other financial sector regulators, there is potential for duplication, overlaps or contradictions across different regulatory sandboxes. This</p>



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	<p>could give rise to similar Fintechs facing different requirements, depending on the sandbox. It is submitted that the Draft Framework should be evolved to accommodate an inter-regulatory framework within which information will be shared and decisions will be made collectively across financial sector regulators.</p> <p>3.3 The RS should be mindful of the cross-sectoral effects on non-financial sector regulation in its operation</p> <p>The Draft Framework appears to allow non-financial sector entities which may not be subject to existing RBI regulation, to participate in the RS (as discussed in section 3.1 above). This would allow tech-based entities to live test technological innovations (such as API services) which can be deployed in other sectors, even outside finance. These entities may also be covered by regulation in allied areas (such as telecommunications or data protection) or other fields in which they deploy their technology (such as health or education). If they are live testing their innovations for the first time in the RS, this activity could create adverse effects or other impacts outside the financial sector. In this situation, there could be an opportunity to build in mechanisms to the RS to flag crosssectoral effects before sandbox entities begin live-testing. Both the PFRDA and the IRDA's sandbox proposals reflect the acknowledgment that fintech applications can span across multiple regulators including in allied fields such as Telecom (page 41, PFRDA, 2019; page 25, IRDA, 2019). However, they specifically highlight that they will not facilitate approvals from other regulators, if these are required (PFRDA, 2019; IRDA, 2019). While this approach does limit the liability of the regulator, it could also result in uneven development of regulation and further complications at a later date. For instance, situations where an entity is authorised by the RS, but runs into regulatory uncertainty in an allied area (such as telecommunications or data protection) or in other sectors (such as</p>

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	<p>advertising or e-commerce) which prevent it from offering financial services. The RBI could learn from similar lessons in other countries.</p> <p>i. The RS could be administered or take input from a cross functional group to help spot and manage some of these regulatory inconsistencies. For example, Malaysian Central Bank, Bank Negara Malaysia (BNM) set up a Financial Technology Enabler Group (FTEG) as a cross-functional group across the BNM to develop policy that support innovations, and create and manage the Malaysian Sandbox (Wechsler, Perlman, &amp; Gurung, The State of regulatory Sandboxes in Developing Countries, 2018).</p> <p>ii. It is not uncommon to see cross-sectoral regulatory sandboxes, though their success is often contingent on effective communication and coordination between respective and relevant financial sector regulators, such as in Belgium (European Parliament, 2018). In Mauritius, entities can apply for "Regulatory Sandbox Licenses" available for innovations generally (rather than only in the financial sector) and aimed at targeting gaps where the law is inadequate or non-existent. The entity operating the sandbox (the Economic Development Board in Mauritius) makes decisions on applicants with the input of the relevant regulators who will be part of the Technical Committee for applicants (Wechsler, Perlman, &amp; Gurung, The State of regulatory Sandboxes in Developing Countries, 2018).</p> <p>The Draft Framework is silent regarding the potential for any cross-sectoral coordination, but including some institutional mechanism to support the consistent development of regulation could help the RBI learn from the lessons emerging in other jurisdictions with sandboxes.</p> <p>4 The design and processes of the RS must embed mechanisms to enhance transparency in decision-making. The legitimacy and effectiveness of an innovative new regulatory project like the RS will depend on its transparency. The RS evaluation process is inherently discretionary, and could risk becoming arbitrary or ad-hoc in the absence of transparent, principles-based framework accompanied by</p>



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	<p>detailed operational processes to guide decision-making. The Draft Framework acknowledges this risk.</p> <p>Section 4.2 (Regulatory Sandbox: Risks &amp; Limitations) of the Draft Framework recognises that “case-by-case bespoke authorizations and regulatory relaxations” can require discretionary judgements and recommends that this risk can be addressed by “handling applications in a transparent manner and following well-defined principles in decision-making” (page 4 of the Draft Framework).</p> <p>Although the Draft Framework commits to transparency, the document limits itself to a single high-level provision on the matter. In section 6.8 (Transparency), it calls for the RBI to communicate the “entire RS process including its launch, theme of the cohort, and entry and exit criteria through its official website”. We submit that this is a welcome but very limited view of incorporating transparency in a regulatory framework with such wide discretionary powers. It must be supported by a detailed transparent, principles-based framework for decision-making by the RS.</p> <p>4.1 The RS must base its decision-making on pre-determined, publicly communicated and well-understood principles of financial regulation. The RS provides an opportunity for the RBI to obtain additional evidence and data before taking a view on regulatory changes or new regulations (as noted in section 3.1 of the Draft Framework). This “learning by doing” must supplement rather than supplant existing regulatory wisdom on the process that must precede and accompany regulatory change. The governance regime for the RS and future guidelines should incorporate well-established principles of regulatory design as the basis for its regulatory activity. Many of these principles have been articulated in the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) (Government of India, 2013), including:</p>

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	<p>i. Proportionality: Any regulatory obligation placed on an entity should be proportionate to the nature, scale and complexity of the risks in the regulated activity being carried out.</p> <p>ii. Institutional neutrality: The regulator should work to minimise the inconsistencies in the regulatory approach towards regulated activities that are similar in nature or pose similar risks to the fulfilment of regulatory objectives.</p> <p>iii. Enabling competition: The RS should actively endeavour to not create avoidable barriers for applicants to avail of its services. It should strategically engage with a wide applicant base and ensure it actively promotes competition where it can and that its actions do not adversely affect the competitiveness of the financial ecosystem. By committing to these principles upfront, the RS will gain the confidence of the applicants, increase their willingness to experiment and build confidence in the wider market.</p> <p>4.2 RS is not a substitute for public consultation and other tools necessary for sound regulatory practice. It is a grave concern that the Draft Framework states that using an RS will reduce the need for stakeholder consultations (see section 3.4 (Benefits), page 3 of the Draft Framework). This should not be the case, as there is no substitute for coherent consultation to create appropriate and realistic regulation. The RS regime should be used as a tool to foster open and structured communication with stakeholders and complement broader consultation processes rather than supplant them, as the regulator stands much to learn from these dialogues. In fact, global experience shows that a structured route for dialogue is both a precondition and a regulatory objective of successful RS regimes. Formal, transparent, and open dialogue between a regulator and innovators, where each side learns from the other, is perhaps a key element of regulatory sandboxes and a means for advancing to a regulatory mindset that responds to and reflects the FinTech revolution underway (Jenik &amp; Lauer, 2017). As the RBI contemplates</p>



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	<p>the RS, it must ensure that it consciously assesses the benefit of this innovative method in conjunction with other regulatory tools (rather than to their exclusion).</p> <p>4.3 The institutional design, structure and resourcing of the Fintech Unit will determine the effectiveness of the RS. The success and credibility of the RS will also be determined in large parts by its institutional design. Global experience on sandboxes show that while they offer benefits, they are complex to set up and costly to run and most regulatory questions raised in connection with sandbox tests can be effectively resolved and potentially more affordably achieved through innovation offices and other tools (UNSGA Fintech Working Group and CCAF, 2019).</p> <p>It is crucial that the proposed FinTech Unit has the requisite human resource capability required to process the applications, engage in iterative test-designs and constantly evaluate the performance of the applicant as laid out in Section 7 of the Draft Framework. This will require well-staffed, dedicated teams to ensure that the RS has the capacity to meet its objectives in a consultative and accountable manner. It must also be designed in a way that it exposes its decisions to internal supervision and scrutiny, complemented by regular internal and external reporting. Literature on institutional design suggests that the organisational structure is a crucial determinant of regulator's performance (Chugh et al, 2018). Some pathways to strengthen regulatory accountability include incorporating supervisory mechanisms which comply with the rule of law and incorporating strong reporting mechanisms (Government of India, 2013). It must be reiterated that sandboxes are one of many approaches to enable the development of an optimal regulatory stance in a country like India that the RBI should carefully choose between, given the capacity constraints in which we operate. The consumer protection elements of the RS must be stronger to ensure that the costs of innovation are not externalised on Indian consumers.</p>

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	<p>The Draft Framework emphasises that RS entities must ensure that any obligations towards customers under experimentation are fulfilled or addressed before exiting or discontinuing the RS. Section 6.9 (Consumer Protection) emphasises the need to notify test customers of potential risks, available compensation and to obtain their explicit consent regarding the testing. The Draft Framework repeatedly emphasises that upfront liability for consumer will lie with the RS participant, and that its entry into RS does not in any way limit an entity's liability towards its customers. Unfortunately, despite these high level statement, it is unclear how this liability framework will be embedded in the RS and enforced, in the event of consumer losses due to RS live-testing.</p> <p>i. Limitations of notice and consent: Globally, regulators have relied on notification and obtain express consent of the consumers regarding their involvement with RS testing. However, the poor effectiveness of consent when it comes to actually improving consumers understanding or protecting them has been well-acknowledged globally (Solove, 2012). Disclosures and notices are therefore poor tools for true consumer protection, and cannot be heavily relied upon as the primary safeguard for Indian consumers who are part of live testing under the RS.</p> <p>ii. The need for redress for consumers being live tested: Currently, the Draft Framework is silent on the redress mechanisms which are available to the consumer. It is not clear if the Banking Ombudsman services and other institutional mechanisms for raising grievances and seeking redress will be accessible to consumers who engage with products being tested in the RS. Some jurisdictions restrict the access of consumers taking part in RS live testing to mainstream grievance redress mechanisms. For instance, in Singapore, consumers of sandbox services are not allowed to reach out to the financial dispute resolution body (Monetary Authority of Singapore, 2016). Given the higher stakes, where consumers who are part of</p>



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	<p>live-testing may not realise the risks ex-ante of engaging in experimental products, it is submitted that the Draft Framework must include have sufficient mechanisms for easy grievance redress with the RS entity and opportunity to raise complaints to the proposed Fintech Unit of the RBI.</p> <p>iii. The importance of the exit plan: In a sandbox, an exit strategy is a strong complement to the liability framework with respect to protecting consumers who are exposed to a previously untested technology. The Draft Framework acknowledges this, and mentions that all existing obligations to the customers of the RS entity under experimentation must be fulfilled and addressed before such an entity exits the RS (page 8 of the Draft Framework). Especially given the experimental nature of some of these technologies, and the risks and harms they can expose consumers to, every RS applicant should be mandated to disclose the process and the monetary compensation that it will deploy for consumer redress at the time of application. The entry, evaluation and selection of an RS application should be subject to the quality of monetary provision and other protections for consumers in the applicant's exit strategy, the smoothness of transition for customers and the ability of the applicant to follow through with the plan. Other jurisdictions such as the Monetary Authority of Singapore also use the quality of the proposed exit plan to judge and evaluate applications made to the sandbox (Monetary Authority of Singapore, 2016).</p>
33	<p>This is in reference to the Press Release 2018-2019/2485 dated April 18, 2019 on the subject. Following are the comments from Entity 33 on the draft guidelines for your kind consideration.</p> <p>i. Eligibility Criteria:</p> <p>The current regulations stipulate participation only from Fin-Techs in the suggested RS, however we request that Authorized Financial Institutions (including Banks, payment gateways like SWIFT, Master Card or VISA etc.) also be allowed to participate in this development.</p>

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	<ul style="list-style-type: none"> <li>• This collaborative participation will ensure integration of new technologies in the financial services industry appropriately &amp; swiftly.</li> <li>• We have observed evolved &amp; seasoned markets like Singapore, Hong Kong and Australia having taken a similar approach and the Financial Institutions in these countries are jointly participating in this development.</li> </ul> <p>ii. Boundary conditions: Entry requirements w.r.t. the customer exposure, number of clients etc. maybe objectively outlined to avoid any discretion on evaluation criteria of the applications. At the application evaluation stage itself, parameters/measures of success along with a clear exit and transition strategy (for both w/o trial success) should be framed before the test period commences. This will minimize ambiguity and encourage participation.</p> <p>iii. Fin-Tech Categories: Current sandbox draft is largely pertaining to B2C products/services &amp; technologies. But given the transformation potential in the Fin-Tech solutions in B2B &amp; B2R (Regulator) space e.g. block-chain technology in trade solutions, cross-border payment digitization etc., these should be an area of focus as well for the Sandbox. It may be relevant to explicitly mention the categories in the framework with specific boundary conditions.</p> <p>iv. Cross-Border Collaboration: Fin-Tech agreements can be deliberated with other regulators (Singapore, Australia etc.) which will grant firms/investors bilateral market access. This will promote Indian Fin-Techs in the global market in a sustained manner &amp; also allow best Fin-techs to foray into the Indian Market.</p>



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34	<p>This refers to the recently released draft by RBI on the draft enabling framework for Regulatory Sandbox.</p> <p>Entity 34 is attaching its feedback on the Feedback on the Draft Enabling Framework for Regulatory Sandbox for your reference.</p> <p>The RBI in April 2018 released the 'Draft Enabling Framework for Regulatory Sandbox' ("<b>Draft Framework</b>"), seeking comments from stakeholders by 8 May 2019. Below are high level comments, as well as specific suggestions.</p> <p>The present Draft Framework appears to foreground application-level innovation more than innovation on the core financial product/ service. In order to service every segment of India and push forward on financial inclusion, the financial sector needs new types of basic products across insurance, credit, mutual funds, and banking. The purpose of a regulatory sandbox should be to foster innovation across all levels of the financial ecosystem, including the underlying core financial product/ service, licensing architecture and as well as the customer facing distribution channel. This is the mindset through which the sandbox should be architected, and should also guide the decision making when it comes to approving applications to run in the sandbox.</p> <p>In addition to this overarching point, below are specific comments on the text of the Draft Framework.</p> <p><b>1. Legal waiver</b></p> <p>The primary purpose of a regulatory sandbox (RS) is to provide an environment where participants have certainty that certain specific existing regulatory requirements have been relaxed, and that no legal consequences will follow from not observing these specific regulatory requirements. The statement in para 4.3 of the Draft Framework that '<i>The RBI or its RS cannot provide any legal waivers</i>' conflicts with this primary purpose. It's also worth noting that para 4.3 also conflicts with the portion of para 6.2 which states '<i>The RBI may consider relaxing, if warranted, some of the regulatory requirements for sandbox</i>'</p>

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	<p>applicants for the duration of the RS on a case-to-case basis.' Such a 'relaxation' without a legal waiver would not give participants the confidence to innovate and try out new product ideas.</p> <p>Suggestion: Delete para 4.3.</p> <p><b>2. Cohorts</b></p> <p>The Draft Framework in para 6.1 suggests that <i>'the RS may run a few cohorts, with a limited number of entities in each cohort testing their products during a stipulated period. The RS shall be based on thematic cohorts...'</i></p> <p>This could significantly delay innovation, since applicants would only be able to use the RS to test their idea when a 'thematic cohort' matching their idea is available. Keeping in mind the outside limit of six months recommended for each cohort, applicants may potentially have to wait for years until such a window opens.</p> <p>Suggestion: Replace the idea of thematic cohorts with a rolling application process, and without any limitation as to theme or sector.</p> <p><b>3. Exclusion of credit information/ credit registry</b></p> <p>The 'negative list' of products/ services which will not be accepted into the RS includes 'credit registry' and 'credit information'. Innovation in both of these sectors is crucial for the improved penetration of credit in India. While appropriate safeguards could be put in place to ensure that actions within the RS do not have any effect on an individual's real world credit score or a company's credit rating, these categories should not be blocked from inclusion in the RS.</p> <p>Suggestion: Remove 'credit registry' and 'credit information' from the negative list.</p> <p><b>4. Regulatory requirements/ relaxations</b></p> <p>Paragraph 6.2 lists certain regulatory requirements that have to be observed by applicants. This list includes data protection regulations, KYC requirements, and 'statutory restrictions'. These requirements could induce confusion, and also prevent innovation in areas such as</p>



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	<p>KYC, consent mechanisms, etc. The underlying issue, however, is one which needs to be addressed – how to ensure that basic regulations are followed when products/ services are tested in the RS.</p> <p>Suggestion: Replace paragraph 6.2 with a statement reflecting the fact that any regulatory requirement which has NOT been explicitly relaxed as part of the application approval process, is assumed to apply in full. This would ensure that applicants adhere to all general legal and regulatory requirements (including KYC, data protection, information security, etc.) while also not hindering innovation in these fields.</p> <p><b>5. Limited to startups</b></p> <p>The Draft Framework limits participation in the RS to 'startups' as defined in DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. By definition this excludes any company that has revenues of over Rs. 25 crore or is more than 7 years old. Established medium to large companies are also important sources of innovation – given this reality, it would be overly restrictive to prevent their participation, and lead to sub-optimal outcomes.</p> <p>Suggestion: Remove the condition in para 6.5.1(a) requiring the applicant to be a 'startup'.</p> <p><b>6. Readiness for market deployment</b></p> <p>Para 6.5.1(f) imposes a requirement that <i>'applicants should demonstrate that their products/services are technologically ready for deployment in the broader market'</i>. Given that applicants to the RS will be testing and experimenting new products/ services, it may not always be possible to meet this requirement at the application stage. This could be a significant barrier to entry, particularly for startups.</p> <p>Suggestion: Remove the requirement in para 6.5.1(f).</p>

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35	<p>Please find attached, for your kind consideration, comments to the Draft Enabling Framework for Regulatory Sandbox on behalf of Entity 35.</p> <p>We would be happy to provide any clarifications that you may require to our comments.</p>				
	S. No.	Para	Subject	Issue	Change Proposed
	1	4.2	"Case-by-case bespoke authorizations and regulatory relaxations can involve time and discretionary judgements (this risk may be addressed by handling applications in a transparent manner and following well-defined principles in decision-making)"	The Draft Enabling Framework for Regulatory Sandbox (" <b>Draft Framework</b> ") identifies the risk but does not set out parameters for defining the principles that may be used in decision making. Further, no mechanism for addressing the difficulties arising out of this provision has been contemplated.	The Draft Framework should provide for the guiding principles for decision making and robust mechanism for addressing any difficulties that may arise from/in relation to bespoke authorizations and regulatory relaxations.



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	2	4.3	"The RBI or its RS cannot provide any legal waivers."	It is within the RBI's powers to provide waivers/ relaxation to rules and guidelines mandated by the RBI itself, like mandatory KYC, localization of payments data, nodal account guidelines, etc.	Waivers/ relaxation to rules and guidelines prescribed by the RBI should be, even if on a case to case basis, extended to products and services operating in an RS.
	3	5	<p>"The target applicants for entry to the RS are FinTech firms which meet the eligibility conditions prescribed for start-ups by the government."</p> <p>"The entity should be a company incorporated</p>	Entry to the RS should not be restricted to only those entities that qualify as start-ups as this would defeat the primary purpose of introducing an RS by excluding established businesses (financial service providers, banks etc.) wishing to access the RS in order to test potential products	The ambit of the RS should not be restrictive and therefore, entry and eligibility to participate in an RS should be subject to the discretion of an independent body to be set up consisting of representatives from both the RBI as well as the industry who evaluate each

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			<p>and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018."</p>	<p>that are currently in the grey area of existing legislation. Moreover, these established businesses may also come up with innovative products and services which otherwise meet all eligibility criteria and provide the same benefits as those listed in para 3 of the Draft Framework. Due to their existing infrastructure, such businesses may also be better equipped to achieve the objectives financial inclusion and reach by riding on such existing infrastructure.</p> <p>Further, it may not be possible to have absolutely objective entry criteria for</p> <p>proposal for entry instead of making the RS applicable only to start-ups.</p>



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				<p>determining eligibility to participate in an RS. While some basic criteria like registered entity, minimum net worth, etc. may be prescribed, criteria relating to the technological means or the objective can never be exhaustive e.g. would incremental advances qualify as "innovative technology", even if neither the proposed means nor the objective are innovative.</p>	
	4.6.3	Exclusion from Sandbox Testing		<p>The negative list is a potential roadblock as it will exclude innovations which, though related to the products/services/technology excluded from the RS, otherwise</p>	<p>The Draft Framework should not exclude any product/service/technology from sandbox testing.</p>

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				highlight existing gaps in the financial ecosystem and demonstrate the potential to bridge such gaps or bring benefits to the consumers. For example, adoption of distributed ledger technology for the excluded products/services/technology.	
5	6.5.1	(b)	"The entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet."	a minimum net worth of Rs.50 lakh as per its latest audited balance sheet." This requirement would exclude a lot of start-ups which come up with innovative products/services satisfying all eligibility criteria and providing the same benefits as	The Draft Framework should revoke this criterion.



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				those listed in para 3 of the Draft Framework but which otherwise have negative net-worth in the initial years of operation.	
6	6.5.1(d)		"The conduct of the bank accounts of the entity as well its promoters/directors should be satisfactory."	The Draft Framework lays down certain criteria which are vague and subjective. The issue with mandatorily imposing such criteria is an entity which has an innovative product/service but doesn't meet the minimum net worth criteria would be deemed disqualified automatically. Further, the requirement for "satisfactory" conduct and CIBIL/equivalent	The RBI may consider segregating criteria into mandatory and optional categories. Objective requirements relating to system security, data protection, for example, can be made mandatory criteria, while discretionary criteria can remain optional only.
	6.5.1(e)		"A satisfactory CIBIL or equivalent credit score of the promoter(s)/director(s)/entity is required."		products/service s should be done only after the participant

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				score of the promoters/director s is discretionary and goes against the objective of having a clear and transparent process for RS testing. Such criteria may also lead to unintended exclusions from the RS process.	has had the chance to introduce such product/market in the open market.
36	<p>Below is our feedback on Regulatory sandbox.</p> <ol style="list-style-type: none"> <li>1. Regulatory Sandbox(RS) should allow different Fintechs [e-kyc, bank statement analysis, lending] to publish their sandboxes in the Regulatory sandbox of RBI. So RBI sandbox is a platform where multiple tools for innovation are already present, and other fintechs can build on top of it. This will also help fintechs in getting new use-cases and visibility.</li> <li>2. Customer data protection should still be applicable in RS as it can harm customers, only in regulatory requirements a waiver should be given</li> <li>3. In the application to RS which laws/mandates relaxation Fintech needs should be clearly defined so there is no ambiguity</li> <li>4. Measurable outcomes should be upfront defined by Fintech, so that success/failure of Sandbox experimentation can be objectively measured, rather than just a learning experience</li> </ol>				
37	We appreciate the Reserve Bank of India's (RBIs) continued efforts to support innovation in the area of financial services regulation. India has made great strides in financial inclusion and digital payment				





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	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED], we welcome this opportunity by RBI to provide our inputs and suggestion in response to the draft RS framework and the note is enclosed for your kind consideration.</p> <p>We look forward to an opportunity to discuss this further detail and we would delighted to provide additional information.</p> <p>Regulatory Sandbox Proposal</p> <p>Private sector innovation can lead to better outcomes for financial customers, but this innovation must be within regulatory bounds. Sometimes, these regulatory boundaries inhibit new products and ideas from being delivered to customers. A regulatory sandbox provides the private sector with an opportunity to introduce new and innovative products while enabling governments to maintain existing regulations,</p> <p>learn about new offerings, protect against risk, and test new regulatory concepts.</p> <p>i RBI's RS proposal seeks to achieve these important goals.</p> <p>An area like authentication could be an interesting area for innovation through a regulatory sandbox.</p> <p>Currently regulatory guidelines limit the type of unique factors that can be utilized for two-factor authentication. A sandbox would enable new factors, and combinations of factors, to be utilized in pilot testing. Data can be gathered, and if it is demonstrated that fraud rates are reduced, then perhaps there might be room to encourage regulatory reform. Notably, RBI's proposal highlights digital identification and Digital KYC as key areas of focus.</p> <p>The UK and US states like Arizona are successfully operating regulatory sandboxes that could be looked to as models for India. These models treat larger established firms and smaller fintech startups that apply exactly the same. These models also make no</p>



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	<p>distinction between foreign and domestic applicants. The models neither specify the exact innovations that are being targeted nor specific exclusionary offerings; as regulators want to allow for innovative proposals to be made and judged on a case-by-case basis. Implementing some of these best practices could help India's regulatory sandbox to become a more appealing opportunity for innovators across the financial services landscape.</p> <p>Governments around the world are now beginning to explore global regulatory sandboxes that would enable innovation to scale across borders rapidly.</p> <p>ii These global solutions are particularly interesting as they would resolve some of the fragmentation issues that plague fintech innovation, particularly for the underserved.</p> <p>iii RBI should strongly consider some of the best practices currently being implemented in other regulatory sandboxes around the world in order to ensure that India's RS is interoperable with others. This would open up the possibility that firms in India's RS could scale their products to other countries around the world.</p> <p><b>No Action Letter</b></p> <p>The no-action letter is a natural complement to the regulatory sandbox. The sandbox allows a firm to be free from regulation in a specific area to test a product. The no-action letter describes a very specific product offering and why the firm thinks that this new product offering does not inhibit any existing regulations and should be "pre-approved" by the regulator before being offered to the market. The regulator reviews a no-action letter and can conclude that no enforcement action will be taken against the new product offering. The firm can then proceed to innovate without fear of unlawfulness. The Securities and Exchange Commission in the United States operates a very well-crafted no-action letter system. The no-action letter will only apply to the specific firm that applied for relief, but in certain cases that relief can also be expanded to third parties with</p>

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	<p>similar facts and circumstances, a feature that makes it somewhat scalable. The SEC also compiles and publishes no-action letters so that firms in the ecosystem can be aware of the regulatory interpretations that guided the SEC's decisions. This transparency is imperative to the success of the SEC's no-action letter policy. No-action letters foster a communicative relationship and trust between regulator and regulated entities. They should be strongly considered as part of RBI's efforts to foster innovation in the regulation of financial services in India. With this overarching ideas described above, specific comments and suggestions in response to draft RS guidelines are provided below</p> <p>1. Allowing RS to all Indian companies</p> <p>The Draft Framework limits participation in the RS to 'start-ups' as defined in DIPP Notification No. G.S.R. 364(E) dated April 11, 2018. By definition this excludes any company that has revenues of over Rs. 25 crore or is more than 7 years old.</p> <p>To meet the aspiration goals of financial inclusion and financial health for all India in short time, there is need work on mission mode and democratise innovation. In addition just start-ups, established medium to large companies can also contribute to the innovation. Currently, the draft is overly restrictive and could lead to sub-optimal outcomes.</p> <p>Suggestion: Remove the condition in para 6.5.1(a) requiring the applicant to be a 'startup' and expand the scope to all companies registered and operating under the Indian companies act.</p> <p>2. Relaxing regulatory requirements</p> <p>Paragraph 6.2 lists certain regulatory requirements that have to be observed by applicants. This list includes data protection regulations, KYC requirements, and 'statutory restrictions'. One of the key objectives of RS is to able have temporary suspension of existing regulations and innovate with objectives to better ways conducting KYC, obtaining user consent etc. The underlying issue, however, is</p>



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	<p>one which needs to be addressed – how to ensure that basic regulations are followed when products/ services are tested in the RS.</p> <p>Suggestion: RBI may consider modifying paragraph 6.2 with a statement reflecting the fact that any specific regulatory requirement relaxations will be part of the application approval process. This would ensure that applicants adhere to all general legal and regulatory requirements (including KYC, data protection, information security, etc.) while also not hindering innovation in these fields.</p> <p>3. Market deployment readiness of experiments in RS</p> <p>Para 6.5.1(f) imposes a requirement that 'applicants should demonstrate that their products/services are technologically ready for deployment in the broader market'. Prototyping is a fundamental trait of innovation and applicants in the RS will be testing and experimenting new products/ services. At the application and even in the prototyping stage it is near impossible to to meet this requirement at the application stage. This could be a significant barrier to have optimal outcomes from RS.</p> <p>4. Safe guarding trade secrets, IP</p> <p>We encourage regulators to ensure applicants safeguard commercial IP and license requirements during the sandbox period. To this end, RBI may consider appropriate disclosure norms with a format which RBI can publish annually which provides information without disclosure of trade secrets, patents and any other property right protection in the sandbox process. Test results obtained by the government, including product performance, customer usage metrics and other sensitive data will also require adequate protections.</p> <p>5. Removal of credit registry and credit information from negative list</p> <p>We request with appropriate safeguards which do not effect on an individual's real world credit score or a company's credit rating, these categories should be allowed in the RS</p>

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38	<p>It was great to see the work from RBI towards setting up a regulatory sandbox.</p> <p>"6.5 Fit and Proper Criteria for Selection of Participants in RS</p> <p>b. The entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet"</p> <p>Suggestion: I personally believe that small businesses fintech or otherwise are a path towards making great progress and innovation without the burden of multiple share/stakeholders private or otherwise.</p> <p>In line with this thinking I suggest the requirement "The entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet" to be changed to "The entity shall have a minimum net worth of Rs 50 lakh as per its latest audited balance sheet while onboarding users outside of a private control group belonging to the participant's organization".</p> <p>The mere acceptance into RBI's sandbox would enable companies to raise the relevant funds. This would encourage a substantial amount of first time entrepreneurs to build innovative fintech products while still maintaining capital stability.</p>
39	<p>As you are aware, Entity 39 [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Entity 39 welcomes the opportunity to submit its comments and recommendations on the Draft Enabling Framework for a Regulatory Sandbox as released by the RBI on April 18th, 2019. The RBI has consistently been on the forefront of creating a safe, secure and robust environment for Fintech to strive and grow. The call to set up</p>



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>a fintech regulatory sandbox is a welcome step forward in that direction.</p> <p>The comments below are a collation of the comments and recommendations made by our members companies in the Fintech sector. We appreciate your consideration of these important issues and look forward to continuing to support the RBI's vision in creating a robust fintech sector in the coming years.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p><b>Entity 39 Comments on Draft Enabling Framework for Regulatory Sandbox</b></p> <p>Entity 39 welcomes the opportunity to comment on the Draft Enabling Framework for Regulatory Sandbox (the framework). [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED] We support the facilitation of fintech innovation through an effective regulatory sandbox approach that allows for experimentation while limiting risks to consumers and the financial ecosystem. In order to be counted as a success, and on par with established regulatory sandboxes elsewhere in the world, the proposed safe harbor must equally benefit innovators, regulators, and consumers. The regulatory benefits should be voluntary, and be kept as accessible as possible in order to avoid market distortion and other access-based inequities.</p>

Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>We encourage the Department of Banking Regulation's Banking Policy Division, to incorporate the following additional underlying principles into their policies:</p> <ul style="list-style-type: none"> <li>• The framework should provide equal access to companies in various stages of the business lifecycle (e.g., start-ups and incumbents). Sandboxes achieve their full potential when all market participants are allowed to participate. Good ideas can come from anywhere including incumbents, which often have internal incubators or need to test iterative solutions. A regulatory sandbox provides a "safe" environment to test products and services while facilitating speed to market and best-in-class product development. This allows innovators of all types and sizes, including new players as well as incumbents, to improve their understanding of the regulations governing them so they can shape their products for maximum consumer benefit.</li> <li>• The framework should provide equal access to companies, regardless of their country of origin and/or registration. We are concerned that by providing the benefits of experimentation to companies incorporated and registered in India (Sec. 6.5.1 (a)) the government is establishing a troubling precedent to create a separate regulatory structure for foreign companies versus domestic companies.</li> <li>• The framework should be applied in a technology neutral manner. The government should avoid picking winners and losers and should not preclude applicants from using existing technology or automatically exclude use of certain new technology, including distributed ledger technology (e.g., blockchain). The focus for selection criteria should be on the end products and uses and resulting innovations and efficiencies.</li> </ul> <p>4.3 The framework states the regulator's inability to provide any legal waivers to participating entities and expressly disclaims any liability arising from participation in the sandbox experiment. Since a</p>



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>regulatory sandbox allows an entity to operate in a controlled environment, it is crucial that they are granted relaxations and waivers from certain legal regulations so they can test their products and services without fear of legal repercussions.</p> <p>Such regulatory relaxations and waivers are the premise of regulatory sandboxes worldwide. While some regulators grant blanket waivers, others permit specific relaxations with regard to identified legal regulations or through waivers or no-action letters on a case-by-case basis. We recommend inclusion of suitable legal waivers for the participating entities in the regulatory sandbox environment. This allows sandbox participants to successfully test their products free from potentially debilitating or unnecessary regulatory requirements, thus achieving the conceptual objective of the regulatory sandbox.</p> <p>To create a successful sandbox environment, it is important for regulators to tailor the sandbox experience in a way that makes sense for each firm's business model. The sandbox facilitators' role is not to create a one-size-fits-all approach, but to support firms and enable safe experimentation while still protecting consumers. Successful sandboxes, like the one implemented by the United Kingdom Financial Conduct Authority's (UK FCA), have not provided participants with wholesale exemption from regulation, but rather created a set of regulatory requirements suitable to each participant. This judicious, firm-specific approach ensures that the sandbox is a safe space for consumers as well as participants.</p> <p>5. The use of "fintech" to describe target applicants may not sufficiently capture the universe of new applications and services that may in the future have a nexus to the financial ecosystem or consumer use of monetary instruments.</p> <p>In addition to the above criteria set out in the Draft Proposal, the RBI may consider determining eligibility basis the entity's capability in demonstrating (i) a clear and identifiable action plan to operate within the sandbox and its exit strategy upon achieving its</p>

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	<p>objectives/success; and (ii) basic internal controls (such as standards of data security, consumer protection, quality control in accordance with international standards, etc.) established within the entity to mitigate legal/regulatory risks.</p> <p>6.1. We recommend a sandbox duration to be at least one-year with the ability to apply for extensions. We note that Sec. 7.2 lays out a lengthy process which may not be achievable in a six-month window. Sec. 7.2.4 allowing for just 12 weeks of testing may also not be adequate.</p> <p>6.1.2. We note that there is a mix of processes and technology in this list. We question whether data analytics and some AI and machine learning applications, which can be used to better analyze the effectiveness of current products and can be applied external to the customer interface, requires the need for regulation or incremental permissions.</p> <p>We also recommend the inclusion of data storage solutions/encryption/security solutions, in light of data being the primary currency driving financial technology services.</p> <p>6.2. We encourage regulators to ensure applicants safeguard commercial IP and license requirements during the sandbox period. An objective criterion for a sandbox applicant should be put in place to demonstrate meeting this requirement. For instance, an entity maintain at least an international security standard for data storage/management such as the ISO/IEC 27001- Information Security Management. Alternatively, a sandbox applicant may demonstrate meeting encryption standards such as (i) AES (128 bits and higher); (ii) TDES (minimum double-length keys); (iii) RSA (1024 bits or higher); (iv) ECC (160 bits or higher); or (v) ElGamal (1024 bits or higher).</p> <p>6.3. A regulatory sandbox should ideally adopt a blue-sky approach that helps generate ideas for products and services in the fintech space without limitations on the type of product. To create more</p>



Entity No	Public Comments/ Feedback received from stake holders on Draft Framework for Regulatory Sandbox
	<p>innovative and cost-effective solutions, we recommend opening participation to any legally sound product, service, or technology that can address an existing gap or provide further innovation in the financial ecosystem.</p> <p>For example, the exclusion of credit information as a qualified subject matter precludes innovation around leveraging alternative data, such as utility/telecom payments as credit information, which may be an adequate means for discerning creditworthiness in some cases. Given that credit remains under-penetrated in the Indian economy, this exclusion may foreclose innovation where it is needed the most.</p> <p>The proposal to exclude cryptocurrency applications will limit experimentation and the development of smart contracts and testing of other approved blockchain uses. We recommend the framework allow for some testing of cryptocurrencies and related distributed ledger technologies, including blockchain, even if the test parameters are tightly defined and mutually agreed by the parties in advance of testing.</p> <p>6.5.1 The draft framework requires entrants to be companies incorporated and registered in India. Recognizing that financial innovations can emerge from any source, regardless of its legal structure or its place of incorporation, we strongly believe sandbox requirements must be the same for domestic and foreign participants alike, whether or not they are incorporated in India. Restricting participation to local providers will restrain competition and limit the scope of innovative solutions that can benefit from the sandbox, and in turn benefit India.</p> <p>Like-wise, we also object to participation being limited to start-ups, as defined by the Department for Promotion of Industry and Internal Trade (DPIIT) guidelines. By permitting only a narrow category of firms to participate, India risks missing out on critically innovative products and services that could be developed by larger players in India's fintech space. To foster innovation and promote strategic</p>

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	<p>partnerships, we recommend allowing participation from traditional players such as banks, payment networks, and financial institutions, as well as non-traditional players like Fintechs. A good example of this concept in action is the UK FCA sandbox, which is offered to both incumbents and starts-ups, whether operating independently or in partnership, to help trial innovative products that may not be able to reach the market without the benefit of a sandbox environment. Hong Kong, Malaysia, Abu Dhabi, Singapore, Australia, Thailand, and Bahrain have also allowed traditional players to participate in their respective regulatory sandboxes, alongside Fintechs.</p> <p>Finally, the regulators may wish to consider requiring that the promoter(s)/director(s) of the applicant do not have any direct or indirect links with companies currently in NCLT or a court of law. This screening would ensure that adequate care is taken to mitigate the risk of a conflict of interest.</p> <p>6.5.6 and 6.5.7. Exit and transition strategies require flexibility. By virtue of its nature, a regulatory sandbox is supposed to provide a test bed for ideas and allow for iterative development. Thus, thinking one will have a tested proof of concept and a clear exit strategy seems to be making too many suppositions and may restrict the very process of innovation.</p> <p>7. We recommend a flexible approach to developing the timelines of the various stages of the sandbox process. Many new companies underestimate the time and resources required for testing new products. Maintaining close communication as the guidelines suggest while allowing for some flexibility in timelines will ensure that firms have the support they need for success.</p> <p>8.2. A transition period may be needed from the conclusion of the sandbox to market entry. The regulator should be prepared to provide continued support as sandbox entities exit the sandbox environment and navigate successful market entry and sustainability under the supervision of appropriate regulation. The UK FCA, for example, has</p>



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	<p>continued to work with a number of firms that have transitioned out the sandbox to help comply with existing regulations while also working with regulators and standards setting bodies to adapt to these new entrants.</p> <p>9. The terms of the disclosure provisions should be agreed at the outset of the testing period. Disclosure of trade secrets, patents and any other property right must be protected in the sandbox process. Test results obtained by the government, including product performance, customer usage metrics and other sensitive data will also require adequate protections.</p> <p>In closing, we appreciate the positive step forward in proposing guidelines for a regulatory sandbox framework. We encourage the RBI to work closely with other regulatory and government bodies in India to coordinate efforts regarding the promotion of fintech through regulatory sandboxes. Other jurisdictions have found that having multiple regulators with separate sandbox initiatives limits their effectiveness. For example, in Hong Kong the sandboxes of the HKMA, the Securities and Futures Commission (SFC) and the Insurance Authority (IA) are linked up so that there is a single point of entry for pilot trials of cross-sector fintech products. This allows for innovative products that cross those regulatory boundaries to be tested as well as reducing the effort a start-up will need to take to determine which sandbox would be most appropriate.</p>
40	<p>Entity 40.</p> <p>First of all, many thanks for releasing a very comprehensive draft on the regulatory sandbox!</p>

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	<p>As a [REDACTED], we are closely watching RBI Working Group initiatives around FinTech and Digital banking. We have gone through the regulatory sandbox draft in detail and are excited about the recent developments and potential participation in future as it shapes up.</p> <p>We had some feedback/questions as we went through the document in detail:</p> <ul style="list-style-type: none"> <li>• Stakeholders coming together: One of the most important success criteria for a sandbox to work well is when all key stakeholders : Banks, FinTechs, End-Consumers come together on the sandbox so that relevant use cases and ideas can be tried well. Example - How banks will open up relevant APIs as part of the regulatory sandbox, How consumers can be part of it so that they can participate in voluntary pilots and provide feedback on solutions. Would be great if the on boarding of these stakeholders as well as working mechanisms can be detailed out.</li> <li>• Regulatory Sandbox versus other Sandboxes: For last few years, we have been closely watching PSD2 and Open Banking initiatives in Europe [REDACTED] [REDACTED] One thing that stands out in Europe is that each Bank came up with their own sandboxes. As account aggregator standards are adopted in India, we might see a similar pattern. It would be good to understand how the regulatory sandbox and potentially separate Bank and NBFC sandboxes co-exist and will relate to each other.</li> <li>• Open Innovation and Real Data: It is not clear whether the data pipes and availability of relevant data for use cases to be tried are going to be real/live versus dummy data. Its also important for all innovators to have easy access to sandbox - while we see that FinTechs will go through a thorough vetting process to be part of sandbox, In our experience for open innovation to really thrive - all kind of innovators, e.g. Students, Engineers and FinTech enthusiasts</li> </ul>





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41	<p>Below are my comments</p> <p>1. Point 4.2 &amp; Point 4.4</p> <p>"Case-by-case bespoke authorizations and regulatory relaxations can involve time and discretionary judgements (this risk may be addressed by handling applications in a transparent manner and following well-defined principles in decision-making)."</p> <p>"Post-sandbox testing, a successful experimenter may still require regulatory approvals before the product/services/technology can be permitted for wider application."</p> <p>Comment: It is vital for the regulator to provide time commitments on regulatory relaxations for a successful implementation of a regulatory sandbox. Having this open ended lowers the confidence and increases uncertainty for the companies who wish to participate</p> <p>2. Point 4.5</p> <p>"These, however, may not have much legal ground if the RS framework and processes are transparent and have clear entry and exit criteria. Upfront clarity that liability for customer or business risks shall devolve on the entity entering the RS will be important in this context."</p> <p>Comment: The program should delve into how the legal system will consider the regulatory sandbox application when evaluating the cases. As part of the sandbox program it will greatly help to have a liaison and process established for participants who may have been served with legal notices</p> <p>3. Point 6.2</p> <p>"Regulatory Sandbox: Eligibility Criteria for Participating in the Sandbox"</p> <p>Comment: There should be guidelines on participants using (rather not using) selection for sandbox for commercial advertising.</p> <p>4. Point 6.5.1 g. Applicants should demonstrate that their products/services are technologically ready for deployment in the broader market.</p>



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	<p>Comment: Is there a minimum period of existence requirement for the entity?</p> <p>5. Point 6.6 Extending or Exiting the Sandbox</p> <p>At the end of the sandbox period, the regulatory relaxations provided to the entities will expire and the sandbox entity must exit the RS. In the event that the sandbox entity requires an extension of the sandbox period, it should apply to the RBI at least one month before the expiration of the sandbox period and with valid reasons to support the application for extension. The decision of the RBI on the application will be final.</p> <p>Comment: The evaluation period is 4 weeks and if one month notice has to be provided it has to be immediately i.e. the day the testing phase ends which may not be practical.</p>							
42	<p>We refer to the Draft guideline on Enabling Framework for Regulatory Sandbox placed on RBI website on April 18, 2019 for comments/feedback.</p> <p>In this regard, please find enclosed our comments on the draft guidelines. We would be happy to provide any information that may be required in this regard.</p> <table border="1"> <thead> <tr> <th>Cla use</th><th>RBI Comments</th><th>Entity 42 Comments</th></tr> </thead> <tbody> <tr> <td>2.2</td><td> <p>Objectives</p> <p>The RS provides an environment to innovative technology-led entities for limited-scale testing of a new product or service that may or may not involve some relaxation in a regulatory requirement before a wider-scale launch.</p> </td><td> <p>We request RBI to clarify as to whether banks can be potential customers of participating FinTech companies or individual/corporate customers of existing banks can participate along with FinTech companies.</p> </td></tr> </tbody> </table>		Cla use	RBI Comments	Entity 42 Comments	2.2	<p>Objectives</p> <p>The RS provides an environment to innovative technology-led entities for limited-scale testing of a new product or service that may or may not involve some relaxation in a regulatory requirement before a wider-scale launch.</p>	<p>We request RBI to clarify as to whether banks can be potential customers of participating FinTech companies or individual/corporate customers of existing banks can participate along with FinTech companies.</p>
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	<p>The RS is, at its core, a formal regulatory programme for market participants to test new products, services or business models with customers in a live environment, subject to certain safeguards and oversight. The proposed financial service to be launched under the RS should include new or emerging technology, or use of existing technology in an innovative way and should address a problem, or bring benefits to consumers.</p>	
5	<p>Regulatory Sandbox: Eligibility Criteria for Participating in the Sandbox</p> <p>The target applicants for entry to the RS are FinTech firms which meet the eligibility conditions prescribed for start-ups by the government.</p> <p>The focus of the RS will be to encourage innovations where:</p> <ol style="list-style-type: none"> <li>i. there is absence of governing regulations;</li> <li>ii. there is a need to temporarily ease</li> </ol>	<p>We request RBI to clarify on the process to be followed for customers participation in Regulatory Sandbox initiative.</p>



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	<p>regulations for enabling the proposed innovation;</p> <p>iii. the proposed innovation shows promise of easing/effecting delivery of financial services in a significant way.</p>	
	<p>6.1 Sandbox Cohorts and Product/Services/Technology.</p> <p>The RS may run a few cohorts (end-to-end sandbox process), with a limited number of entities in each cohort testing their products during a stipulated period. The RS shall be based on thematic cohorts focussing on financial inclusion, payments and lending, digital KYC, etc. The cohorts may run for varying time periods but should ordinarily be completed within six months.</p>	<p>We suggest that the framework to also mention process to be followed about seeking enhancements in case of extensions beyond six months.</p>
	<p>6.2 Regulatory Requirements/ Relaxations for Sandbox Applicant</p> <p>The RBI may consider relaxing, if warranted, some of the regulatory requirements for</p>	<p>Considering that Digital KYC is one of the 'Innovative Products/ Services' mentioned under paragraph No. 6.1.1, we suggest that relaxation in the regulatory requirements</p>

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	<p>sandbox applicants for the duration of the RS on a case-to-case basis. However, regulatory requirements that shall mandatorily have to be maintained by the applicants are as follows:</p> <ul style="list-style-type: none"> <li>• Customer privacy and data protection</li> <li>• Secure storage of and access to payment data of stakeholders</li> <li>• Security of transactions</li> <li>• KYC/AML/CFT requirements</li> <li>• Statutory restrictions</li> </ul>	<p>related to KYC/AML/ CFT for cases considered in Regulatory Sandbox, to encourage innovation in Digital KYC space.</p>
	<p>6.4 Number of FinTech Entities to be Part of a Cohort</p> <p>The focus of the RS should be narrow in terms of areas of innovation, and limited in terms of intake. The RS shall begin the testing process with 10-12 selected entities through a comprehensive selection process as detailed in the framework under 'Fit and Proper criteria for selection of participants in RS'.</p>	<p>Considering the list of Innovative Products/Services offered, we suggest that more number of entities maybe allowed to perform testing under each cohort.</p>



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	<p>6.5.1 The entities should satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>The entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018.</li> <li>The entity shall have a minimum net worth of Rs.50 lakh as per its latest audited balance sheet.</li> <li>The promoter(s)/ director(s) of the entity are fit and proper as per the criteria enumerated in Annex I. A declaration and undertaking shall be obtained to this effect as per Annex II.</li> <li>The conduct of the bank accounts of the entity as well its promoters/ directors should be satisfactory.</li> <li>A satisfactory CIBIL or equivalent credit score of</li> </ol>	<p>We suggest that the selection criteria specified in the draft framework may be relaxed for allowing more participants in the Regulatory Sandbox and should not be so stringent that it acts as a dampener for the spirit of innovation.</p> <p>We also recommend that the criteria specified may be enlarged to include banks, companies promoted by large entities in order to implement solutions which could impact the financial ecosystem in a positive manner. Also, banks along with startup should be permitted to participate in the RS, wherein both banks and startup can leverage on each other in order to bring in innovative financial products.</p>

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	<p>the promoter(s)/ director(s)/ entity is required.</p> <p>f. Applicants should demonstrate that their products/services are technologically ready for deployment in the broader market.</p> <p>g. The entity must demonstrate arrangements to ensure compliance with the existing regulations/laws on consumer data protection and privacy.</p> <p>h. There should be adequate safeguards built in its IT systems to ensure that it is protected against unauthorized access, alteration, destruction, disclosure or dissemination of records and data.</p> <p>i. The entity should have robust IT infrastructure and managerial resources. The IT systems used for end-to-end sandbox processing</p>



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	will be checked by the RBI to ensure end-to-end integrity of information processing by the entities concerned.	
7	<p>The Sandbox Process and its Stages in a Regulatory Sandbox</p> <p>7.1 End-to-End Sandbox Process</p> <p>A detailed end-to-end sandbox process, including the testing of the products/innovations by FinTech entities, shall be overseen by the FinTech Unit (FTU) at the RBI.</p> <p>7.2 The Sandbox Process: Stages and Timelines</p> <p>Each cohort of the RS shall have the following five stages and timeline:</p> <p>7.2.1 Preliminary Screening (4 weeks)</p> <p>The FTU shall ensure that the applicant clearly understands</p>	<p>We request RBI to clarify in which stage participant as a part of identified cohort can start setup activities in this environment.</p> <p>We also recommend a shorter time line for each activity to increase time to market,</p>

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	<p>the objective and principles of the sandbox and conforms to it. This phase shall last for 4 weeks from the launch of the sandbox, where the applications shall be received by the FTU and evaluated to shortlist applicants meeting the eligibility criteria.</p> <p>7.2.2 Test Design (3 weeks)</p> <p>This phase may last for 3 weeks. The FTU shall finalize the test design through an iterative engagement with the applicants and identify outcome metrics for evaluating evidence of benefits and risks.</p> <p>7.2.3 Application Assessment (3 weeks)</p> <p>This phase may last for 3 weeks. The FTU shall vet the test design and propose regulatory modifications, if any.</p> <p>7.2.4 Testing (12 weeks)</p> <p>This phase may last for a maximum of 12 weeks. The FTU shall generate empirical evidence to assess the tests by close monitoring.</p>



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	<p>7.2.5 Evaluation (4 weeks)</p> <p>This phase may last for 4 weeks. The final outcome of the testing of products/services/technology as per the expected parameters including viability/acceptability under the RS shall be confirmed by the RBI. The FTU shall assess the outcome reports on the test and decide on whether the product/service is viable and acceptable under the RS.</p>	
9	<p>Disclosure</p> <p>The RBI shall reserve the right to publish any relevant information about the RS applicants on its website, including for the purpose of knowledge transfer and collaboration with other international regulatory agencies.</p>	<p>We would like to submit that this could be detrimental for the entities those are trying to establish a particular business model as publishing of sensitive business model related details may give undue advantage to potential competitors. Further, we are of the view that the leakage of intellectual property into the public domain is an important risk, for entities entering the Regulatory Sandbox. Hence, appropriate safeguards may be deployed.</p>

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43	<p>Entity 43 appreciates the opportunity to provide feedback on the draft "Enabling Framework for Regulatory Sandbox". Entity 43 supports the facilitation of fintech innovation through an effective regulatory sandbox approach that allows for experimentation while limiting risks to consumers and the financial ecosystem. The RBI's efforts represent an important step in spurring next-generation fintech innovation in India. In this context, please find attached our feedback and suggestions on the draft framework. However, the scope of the proposed sandbox is unduly narrow and have the opportunity for further changes and simplification. In this regard, please find our feedback and suggestions.</p> <p>Sandboxes achieve their full potential when all market participants are allowed to participate.</p> <p>1. A regulatory sandbox provides a "safe" environment to test products and services while facilitating speed to market and best-in-class product development. This allows innovators of all types and sizes, including new players as well as incumbents, to improve their understanding of the regulations governing them so they can shape their products for maximum consumer benefit. The draft framework adopts a highly restrictive approach to determining which entities can participate in the regulatory sandbox. Eligibility is limited to startups, as defined by the Department of Industrial Policy and Promotion (DIPP) guidelines. By permitting only a narrow category of firms to participate, India risks missing out on critically innovative products and services that could be developed by larger players in India's fintech space. To foster innovation and promote strategic partnerships, Entity 43 recommends the RBI widen the ambit of its sandbox to allow participation from traditional players like banks, payment networks, and financial institutions, as well as non-traditional players like fintechs. A good example of this concept in action is the United Kingdom Financial Conduct Authority's ("UK FCA")</p>



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	<p>sandbox, which is offered to both incumbents and starts-ups, whether operating independently or in partnership, to help trial innovative products that may not be able to reach the market without the benefit of a sandbox environment. Hong Kong, Malaysia, Abu Dhabi, Singapore, Australia, Thailand, and Bahrain have also allowed traditional players to participate in their respective regulatory sandboxes, alongside fintechs.</p> <p>2. The RBI's draft framework includes a list of products, services, and technologies that it will not accept for testing. A regulatory sandbox should ideally adopt a blue-sky approach that helps generate ideas for products and services in the fintech space without limitations on the type of product. To create more innovative and cost-effective solutions, <b>Entity 43</b> recommends opening participation to any legally sound product, service, or technology that can address an existing gap in the financial ecosystem.</p> <p>To that end, it is also important for regulators to tailor the sandbox experience in a way that makes sense for each firm's business model. The sandbox facilitators' role is not to create a one-size-fits-all approach, but to support firms and enable safe experimentation while still protecting consumers. Successful sandboxes, like the one implemented by the UK FCA, have not provided participants with wholesale exemption from regulation, but rather created a set of regulatory requirements suitable to each participant. This judicious, firm-specific approach ensured that the sandbox was a safe space for consumers as well as participants.</p> <p>3. The RBI draft requires entrants to be companies incorporated and registered in India.</p> <p>Recognizing that financial innovations can emerge from any source, regardless of its legal structure or its place of incorporation, we strongly believe sandbox requirements must be the same for domestic and foreign participants alike, whether or not they are incorporated in India. Restricting participation to local providers</p>

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	<p>will restrain competition and limit the scope of innovative solutions that can benefit from the sandbox, and in turn benefit India.</p> <p>4. In order to experience true innovation in the open market and help further India's transformation into a "smart nation," it is important to prepare participating fintechs for long-term success beyond the sandbox. Exit and transition strategies should be clearly defined and practicable. The RBI draft provides sandbox entities the option to apply for an extension of the sandbox period as long as the application is submitted at least one month in advance and with valid reasons for extension. Entity 43 commends this spirit of flexibility and encourages the RBI to provide continued support as sandbox entities exit the sandbox environment and navigate successful market entry and sustainability under the supervision of appropriate regulation. The UK FCA, for example, has continued to work with a number of firms that have transitioned out the sandbox to help comply with existing regulations while also working with regulators and standards setting bodies to adapt to these new entrants. Successful sandbox facilitators may also prepare participating firms for long-term success by working with regulators and standards-setting bodies to adapt to these new market entrants.</p> <p>5. Lastly, the draft framework highlights the regulator's inability to provide any legal waivers to participating entities and expressly disclaims any liability arising from participation in the sandbox experiment. There is no clarity on the reasons for not offering legal waivers. Since a regulatory sandbox allows an entity to operate in a controlled environment, it is crucial that they are granted relaxations and waivers from certain legal regulations so they can test their products and services without fear of legal repercussions. Such regulatory relaxations and waivers are the premise of regulatory sandboxes worldwide. While some regulators grant blanket waivers, others permit specific relaxations with regard to</p>



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	<p>identified legal regulations or through waivers or no-action letters on a case-by-case basis. Entity 43 recommends inclusion of suitable legal waivers for the participating entities in the regulatory sandbox environment. This allows sandbox participants to successfully test their products free from potentially debilitating or unnecessary regulatory requirements, thus achieving the conceptual objective of the regulatory sandbox.</p> <p>The RBI's proposal for regulatory sandbox is a welcome approach to advancing innovation in India and will be strengthened by taking into account the aforementioned inputs.</p> <p>On behalf of Entity 43, we thank you for the opportunity to comment on this important matter and welcome continued conversation.</p>
44	<p>It was a delight to see the much awaited draft on sandbox. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Here are some feedback points which we wanted to convey [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ol style="list-style-type: none"> <li>1. Minimum Net Worth requirements: A lot of startups would be excluded due to this. 50 Lakh min requirement would be deterrent for new ideas and new startup products which might actually require sandbox efforts for validation and those will die before reaching a net worth of 50L.</li> <li>2. A requirement of CIBIL should also be taken away since in lot of cases the entrepreneurs may not have even borrowed any money and their credit score may not be there. When we started Entity 44 it was precisely due to my rejection of a credit card application probably due to no credit score despite a high paying job.</li> <li>3. In case of any failed efforts during sandbox, there should be a report/blog for the same to help understand the challenges for wider</li> </ol>

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	<p>benefit of ecosystem, an understanding may be reached with the startup in concerns</p> <p>4. It would help if number of cohorts in a year are more than 3-4 (probably every quarter atleast) to help variety of ideas to be tested. Broadly it appears with support of RBI things would move fast and Indians would benefit from the experiments in sandbox.</p> <p>Apart from that a data sandbox or digital sandbox could also be envisioned for certain digital products in a limited setting</p> <p>As a young entrepreneur and from our team at Entity 44, we whole heartedly appreciate RBI's positive steps in this direction to help drive India forward digitally and financially.</p> <p>Always happy to be able to contribute. Do reach out for clarifications/feedback.</p>
45	<p>Entity 45 thanks the Reserve Bank of India (RBI) for the opportunity to provide comments on the Draft "Enabling Framework for Regulatory Sandbox". We commend the RBI in taking steps to support India's evolving financial technology market.</p> <p>Entity 45 applauds the RBI and the working committee on seeking the comments on "Enabling framework on regulatory sandbox" for its forward-thinking and timely suggestion to provide a sandbox environment for companies to experiment with fintech solutions in India. We believe that a well-thought through and successfully deployed Regulatory Sandbox will continue to strengthen and demonstrate India's reputation as a leader in the development of innovative financial solutions.</p> <p>Entity 45 is committed to the vision of proactive policies on innovation and financial inclusion. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>



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	<p>We append our response in the annexure to this letter. We would be happy to meet with the Bank to discuss the Regulatory Sandbox Discussion Paper, and other matters pertaining to technology use and outsourcing further. Should you require any additional information with regard to the contents of this response or to discuss any aspect of the issues addressed in the Discussion Paper, please do not hesitate to contact me.</p> <p>The Financial Services (FS) landscape in India is fast evolving, with a proliferation of technological innovation and solutions. We appreciate the Reserve Bank of India's initiative to capitalize on all the benefits of new technologies while balancing perceived risks, and developing programs to provide thoughtful regulatory flexibility.</p> <p>We understand that RBI's fundamental reason for instituting a FinTech Sandbox is to advance the industry through innovations that improve business operations or provide better services to customers. FinTech Sandboxes address the concern that regulations may be a barrier to innovation in financial services, and enable regulators to be more responsive and to respond in a far nimbler fashion to technology disruption.</p> <p>From a participant's perspective, the central reason to bring a project into a FinTech Sandbox is that in the participant's view, the proposed project would either not fit within or be unduly restricted by current law or regulations; or both the regulator and the applicant may be unclear how the existing regulatory framework would or should apply to proposed solution. The FinTech Sandbox enables the participant and regulator together to develop insights into applicability or potential regulatory changes that may need to be made when taking the project into a live environment with regulated workloads.</p> <p>Entity 45 believes Regulatory Sandboxes should be intended to encourage experimentation using the most current and innovative technologies, including cloud computing. Such Sandboxes should also provide the opportunity for</p>

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	<p>fintechs and FSIs to demonstrate their assessment of the innovation with the regulator without any judgement or preconceptions, thereby encouraging openness and collaboration. We also look forward to guidance from the RBI, particularly for new entrants, perhaps not yet licensed, on how to develop and comply with legal and regulatory requirements in the FS sector.</p> <p>In this regard, Entity 45 submits the following comments in response to RBI's Draft Enabling Framework for Regulatory Sandbox:</p> <p>1. Paragraph 4.1 – Risks and Limitations: We note that the Draft Proposal acknowledges that innovators lose flexibility and time while operating within the sandbox due to inter alia obtaining authorizations or addressing legal concerns pursuant to failed experiments, etc. In order to address these limitations, Entity 45 propose the following:</p> <p>Entity 45 recommends:</p> <p>(i) Incorporating a 'Sandbox Express' akin to the model proposed by the Monetary Authority of Singapore. This bespoke model may enable entities intending to engage in low-risk activities to embark on experiments more quickly, i.e., pursuant to a fast-track application process without the need for further approvals. The criteria to qualify within such pre-determined sandbox may include: (a) technological innovation of the financial service; (b) proprietary nature of the activity; (c) financial stability of the entity, etc. Upon meeting the stated criteria, a specified time period may be stipulated within which (a) the approval must be provided to initiate the activity; (b) the activity must be completed; and (c) progress reports/updates must be provided to the regulator on the activity undertaken.</p> <p>(ii) We note that a sandbox should provide a safe environment within which the entity can demonstrate innovation without any judgement or preconceptions, thereby encouraging openness and collaboration. However, in order to safeguard such entities, guidance may be issued to ensure that identified activities prone to legal risk are required to</p>



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	<p>meet identified legal and regulatory requirements within the sandbox to mitigate any legal liability.</p> <p>2. Paragraph 5: Eligibility Criteria:</p> <p><b>Entity 45</b> recommends: In order to be eligible for the Sandbox, a financial sector industry (FSI) and fintechs would need to: (1) define clear objectives, parameters, success criteria, and exit strategy, (2) define risks associated with the experiment – to the extent that they are able, (3) outline the basic set of controls which need to be maintained. In India, innovations in financial sector are primarily driven either by start-ups companies or the special innovation labs set up by the large FIs with strong technological acumen to fuel innovation, development, deployment of new products, processes or services driven by technology and inclusion to drive efficiencies in cost and time.</p> <p>This includes data security, and consumer protection if consumer data is involved, a requirement to work with RBI for periodic evaluation that allows for iterations of the experiment and; the FSI or fintech company can notify the regulator of its intent to experiment in the Sandbox and, if there is no objection, the FSI or Fintech Company proceeds.</p> <p>3. Paragraph 6.1.2: Innovation Technology:</p> <p><b>Entity 45</b> recommends: The Draft Proposal may also seek to include data storage solutions/encryption/security solutions, in light of data being the primary currency driving financial technology services. The key objective is to have a faster innovation cycle where infrastructure can support technology from idea to incubation to prototype. In addition to this, the regulator should encourage competitive approaches to solving the challenges or improving processes.</p> <p>4. Paragraph 6.4: Number of Fintech Entities to be part of a Cohort: We note that the RBI seeks to restrict the initial intake to 10-12 entities. However, given there is scope for failure/discontinuance of</p>

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	<p>testing, in order to motivate greater innovation and participation we propose the outcome based approach.</p> <p><b>Entity 45 recommends:</b></p> <p>(i)Entity 45 suggests that quantifying the fintech entities for Regulatory Sandbox will stifle the innovation (the core objective). Instead, RBI can consider to restrict the number of entities per FI to offer equal opportunity to all. In addition to this, RBI can also propose to have clear guidelines in terms of selection criteria for entities having outcome based approach of financial inclusion, reduction in costs for end customers and significantly enhancing the end user experience amongst others.</p> <p>(ii)Entity 45 also recommends that the application and the evaluation process of the fintech companies be simplified. This will greatly enhance the number of participants. Failure to do so will negatively impact the as is evident from other country models where restrictive entry mechanisms have led to few players opting to participate in the Sandbox.</p> <p>(iii)Entity 45 also proposes that the usage of vendors such as Cloud Service Providers are important to provide the right technical support to ensure that the outcomes are accurate. This will provide the right platforms and technical support availability.</p> <p>5. Paragraph 6.5: Fit and Proper Criteria:</p> <p><b>Entity 45 recommends:</b> We propose (i) any permitting entities including start-ups working towards innovation, inclusion, development or improvement of products or processes to be considered; (ii) declaration by company and signed by the directors of the company (and not promoters) to provide an undertaking of meeting the fit and proper criteria; (iii) providing clarity on the criteria to determine satisfactory conduct of bank accounts by the entity and/or its promoters/directors. Further, whilst we note that adequate security safeguards should be maintained, entities should be permitted to demonstrate evidence of such safeguards by obtaining</p>



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	<p>international accreditations on data storage/management like ISO/IEC 27001, PCI and DSS controls.</p> <p>Entity 45 provides services to numerous financial institutions, has extensive safeguards to preserve the integrity of our customers' data and meet our obligations to our customer, the financial institution. However, as a service provider to the financial institution, Entity 45 responsibility is to meet the financial institution's requirements (which typically includes meeting certain standards or requirements to ensure the financial institution is meeting its regulatory obligations). It is incumbent on the financial institution to ensure appropriate consumer safeguards are in place.</p> <p>6. Paragraph 6.6 Extending or Exiting the Sandbox: Exiting or Extending the Sandbox may also require flexibility. There should be a path to bring an innovation into line with the prevailing regulatory requirements, as well as a path for considering regulatory adjustment to accommodate innovation. Projects may progress at different rates and through differing stages. Some projects will come to a point where they are in full compliance with the regulations, while some may be awaiting regulatory revisions, and some will need to experiment further to prove viability, while others may not show sufficient progress or value and must be terminated.</p> <p>Entity 45 recommends: The Fintech entity would need to : (1) define clear objectives, parameters, success criteria and exit strategy, (2) define risks associated with the experiment- to the extent they are able to, (3) work with RBI for periodic evaluation</p> <p>Entity 45 also proposes that prior to discontinuing sandbox testing in case an entity fails to comply with the relevant pre-set outcome and other conditions specified at any stage during the sandbox process, an appeal to the decision of discontinuance may be provided to the entity. In the appeal, the entity must specify reasons for such failure and provide an action plan to address the failure. Upon examination</p>

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	<p>of the reasons specified by the entity, RBI may have the discretion to either permit or terminate the specific activities within the sandbox.</p> <p>7. Paragraph 6.8: Ensure Transparency and Paragraph 9: Disclosure:</p> <p><b>Entity 45 recommends:</b> Entity 45 proposes that the RBI has reserved its right to publish any relevant information about the applicant. However, prior to such publication, we propose that the RBI intimates the applicant of the details of disclosure. RBI should not impair the applicant's confidentiality/proprietary /intellectual property rights, if any, with respect to the information intended to be disclosed.</p> <p>8. Paragraph 7: The Sandbox Process and its Stages in a Regulatory Sandbox: A regulator's agility and responsiveness are two of the key aspects of a successful Sandbox environment.</p> <p><b>Entity 45 recommends:</b></p> <p>(i) The Sandbox should allow for the agile development of new services. Agile development is an approach to innovation that allows for incremental, as opposed to iterative, revisions and amendments to an innovation. Over the 6-month period an agile-developed service may change as many as 20 times and could even pivot a few times from the original objective. This is the point of experiments, and we therefore recommend building greater flexibility into the process to allow for incremental changes to experiments (and amendments/additions to hypotheses testing) with appropriate reporting to the Bank (taking into account all other criteria, including changes in risk and risk mitigation).</p> <p>(ii) When a solution is entering the Sandbox, there should be a clear process timeline, based on phased approach to meet the proposed objectives and timelines for the regulator's responses to a project and for processing of subsequent reports or requests. Once a project is underway, there may be a process for periodically evaluating the project. The evaluation should be scoped and timed in a manner that</p>



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	<p>is appropriate for the particular project. Review timing, and the time it takes for a response to an enquiry of the regulator should be clear and prompt. A project should not be burdened by excessive reporting once underway. There may come a time, depending on the project, to review to see if adjustments are needed for the continued participation in the Sandbox, or if adjustments to the regulatory obligations are needed, for example, to progress the project. Again, the time for a decision should be well defined and expeditious as a goal for the Sandbox is to bring innovation to customers as quickly as practical.</p> <p>We hope this submission is only the start of a conversation. As a next step, we would be pleased to engage with you to discuss this document in detail, and to address any questions you may have on our submission.</p>
46	<p>Enclosed please find the feedback on the Regulatory Sandbox framework, from Entity 46, [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Feedback for RBI's Framework for a Regulatory Sandbox</p> <p>The Reserve Bank of India's proposed framework for a Regulatory Sandbox is an important and progressive step for fintech innovation in India.</p> <p>We hope the RBI will use this important framework to seek and incorporate a range of live feedback from startups/industry as well as actual customer voices and aggregated, anonymized performance data as an input to policy making. This would go a long way toward more customer-centric regulations, and building appropriate consumer protection safeguards into new products and services. Such a framework could also allow the RBI to measure and incorporate industry and customer experience, such as transaction failure rates and analysis, resolutions and escalations, into policy</p>

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	<p>making, using aggregated data with adequate confidentiality and privacy safeguards.</p> <p>Some observations and suggestions we would wish to humbly place for the RBI's kind consideration:</p> <ul style="list-style-type: none"> <li>• Only start-ups are proposed to be allowed to participate in the Regulatory Sandbox. This excludes collaborative innovation from startups working with incumbents with global expertise, some of them with investments in innovative Indian fintech start-ups. Many startups leverage current technology and expertise of incumbents and build around that. Regulatory sandboxes in the EU and several nations allow incumbents. Hong Kong allows only established companies to participate in its regulatory sandbox.</li> <li>• There is a lack of clarity on the legal relaxation that would be provided to fintech companies during the sandbox period. The framework mentions that one of the limitations of the sandbox may be the inability of RBI to offer any legal waivers. Since regulatory relaxation appears to be a necessary condition for a sandbox experiment and it is a form of [limited] waiver, we are unclear as to what is intended to be covered by the expression "legal waiver".</li> <li>• The framework has excluded credit information/analytics as an activity that can be sandboxed. It potentially inhibits innovation around leveraging alternative data (like utility/telecom payments) as "credit information" (for discerning creditworthiness). Given that credit remains under-penetrated in our economy, this exclusion will foreclose innovation where we need it the most. For instance, Indian startups are doing stellar work using AI and analytics on utilities' customer data (including telcos') for reporting credit-worthiness of underserved or newly banked customers.</li> <li>• As per the framework, the applicant may be asked to share PoC results, and the RBI would monitor the empirical results during the testing through the Fintech Technology Unit. However, there is no clarity on the confidentiality of the data. In fact, the framework</li> </ul>



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	<p>proposes that "RBI reserves the right to publish any relevant information for the purposes of knowledge transfer". We urge clarity on this, that such publication will be of aggregated data only, with specific product data and customer data subject to confidentiality and privacy.</p> <ul style="list-style-type: none"> <li>• The RBI's decision to keep cryptocurrencies, trading of cryptocurrencies and ICO's out of the purview of the Regulatory Sandbox is a surprise decision to many in the fintech space. Many experts believe that crypto coins and tokens are an important component of the blockchain technology and without having them included its really difficult to understand how the smart contracts and other approved blockchain technology will be tested.</li> <li>• Post sandbox testing, a successful participant may still require regulatory approvals before the product and services or technology can be allowed for wider use in the open market. Hence a period of 26 weeks for the entire process, across the various steps outlined, is ambitious and would be difficult to adhere to for many products. Given the size of India, its languages and varying levels of access to technology and banking instruments, this may not be a viable time frame.</li> <li>• The framework mandates declaring "an acceptable exit and transition strategy" (6.5.6) in case the pilot service has to be discontinued. This seems to be a problematic clause as companies usually try sandboxes for business ideas that don't really have a conclusive exit plan. To force an exit plan for a startup for typically a beta level product seems to be overkill.</li> <li>• The framework makes it mandatory for companies to share the "results of proof of concept (PoC) testing of use cases" before entering the fintech sandbox. By virtue of its nature, a regulatory sandbox is supposed to provide a test bed for ideas that make take a lot of time to mature; and those final ideas may actually get tweaked from what the original idea was. Thus requiring all of them to have a</li> </ul>

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	tested POCs first, apart from a clear exit strategy, is presumptive and restrictive of innovation.
47	<p>We welcome the draft proposal on regulatory sandbox. Financial services companies in payments, lending, digital customer onboarding and others, are looking forward to test their products and scale up in a limited environment within the compliance framework set up by the Honorable Regulator. This will enable Fintech ecosystem to grow and would help in achieving greater digital financial inclusion.</p> <p>In continuation to the draft enabling framework, we have enclosed our feedback for kind perusal of the Honorable Regulator.</p> <p>Feedback on Draft Enabling Framework for Regulatory Sandbox</p> <p>1. Fit and Proper Criteria to be revisited: (a) At present, the eligibility to be included in a Regulatory Sandbox is restricted only to start-ups (as defined by Department of Industrial Policy and Promotion in its notification dated April 11, 2018). This limitation shall exclude most of the established FinTech which have necessary resources, technological platform and customer reach to contribute in the development of new financial products and innovation. Relaxation on this eligibility criteria will allow technologically advanced and resource efficient FinTech to participate and contribute in the "disruptive innovation" for digital financial inclusion.</p> <p>(b) The Draft Framework states that the applicant is required to demonstrate that its proposed product is technologically ready to be deployed in the broader market. This scenario stipulates that the participating FinTech shall have to demonstrate that their product is ready to be deployed at scale even before they qualify as the eligible participant of the Regulatory Sandbox. RBI can consider the approach wherein a FinTech is permitted to participate in the Regulatory Sandbox and then should be allowed certain sufficient time to develop a new financial product in light of the relaxed</p>



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	<p>regulated environment. This relaxation would allow an eligible FinTech to raise new investments and dedicate more resources towards the development of new and revolutionary financial products.</p> <p>2. No legal waivers: Section 4.3 of the Draft Framework highlights the restriction on RBI or the Regulatory Sandbox to offer any legal waive Regulatory Sandbox to the participant companies. RBI needs to clarify the legal relaxation offered to the participating FinTech during the sandbox period. RBI may take a cue from the Consumer Finance Protection Bureau in United States which issues a "No Action Letter" to an entity in a sandbox and offers Regulatory Sandbox protection against any adverse Regulatory Sandbox regulatory action during the period of the sandbox. RBI may adopt similar mechanism in India to protect the bona-fide development of new products by the participating FinTech.</p> <p>3. Critical area excluded from Sandbox Testing: The Draft Framework proposes a positive list and a negative list of services/products/ technologies that can and cannot be considered for testing under Regulatory Sandbox. One of the notable exclusions from the lists is "credit information." According to recent industry reports, 156 million Indians who comprise of 'urban mass' and urban middle' section representing an annual income of USD 3000/- and above have the potential of mass adoption of consumer credit. The aforesaid 'urban mass' constituting approximately 129 million have been mostly deprived of credit due to lack of credit history.</p> <p>Considering the young urban mass which are currently financially excluded, prefer Regulatory Sandbox to avail small ticket loans for short term, the existing traditional lending platforms such as banks and NBFCs' find it unviable to serve this segment. In addition, the lack of credit history further dampens the situation. Here, latest innovations of FinTech like Social Loan Quotient (SLQ), Alternate Credit Scoring (ACR) may play a pivotal role in helping this large</p>

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	<p>untapped population to avail credit based on the score generated by the system.</p> <p>FinTech must be allowed to develop new credit information systems which can provide services to this marginalized population at large and contribute towards the digital financial inclusion in the country.</p> <p>4. Confidentiality: Start-ups and FinTech invest considerable amount of resources to develop their intellectual properties around their products. However, the Draft Framework under Section 9 states that "The RBI shall reserve the right to publish any relevant information about the REGULATORY SANDBOX applicants on its website, including for the purpose of knowledge transfer and collaboration with other international regulatory agencies". In order to protect the rights of the participating FinTech, RBI should either water down or completely remove this provision from the Draft Framework. This step of RBI will not only restore the confidence among the participating FinTech that their technical know-how in the products will remain secure with the Regulator but will also boost confidence among other FinTech to join the Regulatory S and develop new products.</p>
48	<p>It's good to see that we are adopting blockchain technology. But it's strange to see we are ignoring crypto assets. Crypto assets are the part of blockchain ecosystem and it is medium to pay incentive to stake holders. Both things, blockchain technology and crypto assets go hand in hand.</p> <p>Many people in India may possess or trade crypto assets. If we don't allow them obviously they may use international exchanges for trading which will result in indirect loss to Indian crypto exchange or Indian economy.</p> <p>Humble request to reconsider this and allow individuals to possess/ trade crypto assets. It's ok not to accept crypto as payment method but please allow individuals to possess/trade crypto assets.</p>



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49	<p>Placed below are the comments of the undersigned:</p> <ol style="list-style-type: none"> <li>1. The products/services to be considered in Regulatory Sandbox (RS) should pertain to the sectors/domain that come (or may in future come) under the regulatory purview of the financial sector regulators for better execution at this stage viz. digital identification services and cyber security products may not be considered as these are very generic in nature.</li> <li>2. There should be a presence of atleast one fintech entity in each product/service that will be granted approval.</li> <li>3. The minimum net worth requirement of Rs.50 lakh may be reduced to Rs.5-10 lakh since the technologically driven start-ups tend to have lower capital requirements and having initial investment of Rs.50 lakh may lead to less number of applications.</li> </ol>
50	<ol style="list-style-type: none"> <li>1) What is the method of applying for the RB on our part? Do we need to submit a document elaborating on how we meet the criteria? If yes, in what format? (word doc, pdf etc)</li> <li>2) From whom (designation) does the application have to be submitted?</li> <li>3) Do we need to share any additional supporting material along with the application? If yes, what all can / should be shared?</li> <li>4) What is the process of selection? Will there be a product presentation / demo?</li> </ol>
51	<p>Greetings from Entity 51, [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

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	<p>I take this opportunity to share our suggestions on the guidelines for the regulatory sandbox;</p> <ol style="list-style-type: none"> <li>1. Theme based RS project selection enabling more companies to participate in the RS - Instead of conducting RS with individual companies, group of companies should be allowed to ideate and work together to solve a common problem, optimize problems or design new solutions</li> <li>2. The 'start-up' criteria needs to be removed and the option to participate should be available to all fintech companies irrespective of size</li> <li>3. For companies selected by RBI, intellectual property rights needs to be clearly defined and mutually agreed as most fintech companies will be concerned about the confidentiality of information and disclosures regarding proposed product, service or technology</li> <li>4. Certain projects would require collaboration, including data sharing between the 3 regulators – SEBI, IRDAI and RBI during the course of the RS</li> <li>5. eKYC/eAUTH is an essential requirement for certain projects in RS to succeed (if taken up). Clarity on allowing eKY/eAuth for fintech companies should be taken prior to the commencement of the RS</li> </ol>
52	<p>Excluding crypto assets altogether will only take back Indian companies by few more years. Sadly only millennial govt employees can understand the worth of new tech. Oldies in rbi must go to make space for Young blood who have guts to experiment new tech. Eventually rbi will have to allow companies like ripple who have "in production" use case for settling payments using digital assets only if blind people at rbi can see.</p>
53	<p>Hope this email finds you well.</p> <p>Please find attached inputs from Entity 53 on the draft enabling framework for the regulatory sandbox.</p> <p>For any queries, please reach out to us.</p>



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	<p>We look forward to participating in this initiative.</p> <p>Comments from Entity 53 on proposed regulatory sandbox for fintechs by the RBI</p> <ol style="list-style-type: none"> <li>1. For the sandbox to lead to maximum positive outcomes that should augment the growth of the financial services industry, we recommend that participation of fintechs should not be restricted by having maximum revenue or any other criterion as an eligibility parameter. Since, most bigger fintechs have established themselves through market disruptions, their participation in the sandbox may be extremely relevant and is likely to result in more meaningful outcomes for consumers and the ecosystem. Also, many fintechs, especially aggregators, offer a wide range of products and services and while they may be an established entity in one, they may be a new entrant for another.</li> <li>2. The participating fintechs, instead, could be restricted by the number of transactions under the sandbox, to encourage sound decisioning along with controlled, conducive and safe experimentations. This limit on transaction volume should be determined according to the product and service offered.</li> <li>3. The end-to-end application process for a fintech to enter the sandbox, according to the working committee report, will take ~20 weeks, which is too long to be viable for most fintechs. We recommend either few steps or faster turnaround time so that there is meaningful participation by relevant players.</li> <li>4. In case the regulator has specific areas / issues it intends fintechs to address through the sandbox, it should be called out distinctively and prioritised for testing, so that relevant fintechs choose them, instead of participating in varied experiments.</li> <li>5. The evolution of fintechs have led to new-age hybrid products that may fall under the purview of multiple regulators. It is recommended that the engagement under the sandbox involves all financial services</li> </ol>

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	regulators as an inter-regulatory unit, for fintechs to test innovations under the guidance of all relevant regulators.
54	<p>This is with regards to the clause 6.5.1 (a) of the Draft Enabling Framework for Regulatory Sandbox dated 18 April 2019. "The entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Govt. of India, DIPP Notification No. G.S.R. 364(E) dated April 11, 2018"</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>We would be most grateful for RBI to consider exceptions to this clause if the ideas are protected by patents, ground-breaking in nature and will help over a billion people if deployed (and meets the rest of the criterion).</p>
55	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED] Our Fintech initiative, Entity 55 has done a detailed review of the Draft Regulatory Sandbox format published by RBI. Also feedbacks have been collated from the Fintech sector.</p>



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	<p>Please find attached our comments in the attached document. Looking forward to work closely to leverage benefits for the betterment of the Fintech sector.</p> <p>Observations and recommendations on Draft Enabling Framework for Regulatory Sandbox published by RBI</p> <p>The Reserve Bank of India (RBI) has released a draft of enabling framework for Regulatory Sandbox asking for FinTech and RegTech ecosystem comments.</p> <p>Entity 55, an initiative of [REDACTED] is in the process of operationalizing the FinTech policy created by GoM. This includes building FinTech API Sandbox, creating FinTech registry, establishing a Fintech education platform, coining a Fintech investor platform at Mumbai, conceptualizing a global market access platform and few more initiatives to strengthen FinTech ecosystem and support innovation across India.</p> <p>This document includes collective feedback from Fintech startups, influencers, government IT representatives and industry representatives, on the Regulatory Sandbox framework.</p> <p>Mentioned below are a few observations and recommendations for the draft framework for RBI regulatory sandbox.</p> <p><b>List of key observation/comment/recommendation (Section wise) –</b></p> <p><b>Process efficiency (Reference to Section 4.1)</b></p> <p>Section 4.1 seems at odds with the nature of a regulatory sandbox. The idea is to make the process streamlined and less onerous, so stating that firms' risk "losing flexibility and time" in the sandbox needs reconsideration.</p> <p><b>No legal waivers: (Reference to section 4.3 and 4.5)</b></p> <p>The framework highlights that one of the limitations of the sandbox may be the inability of RBI to offer any legal waivers. Since regulatory relaxation appears to be a necessary condition for a sandbox experiment and it is a form of (limited) waiver, it is not clear what is</p>

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	<p>intended to be covered by the expression, "legal waiver". It is important that RBI clarifies what is the legal relaxation Fin-Techs would be offered during the sandbox period. The Consumer Finance Protection Bureau of USA issues a "No Action Letter" to an entity in a sandbox that offers the latter protection against any adverse regulatory action during the period of the sandbox.</p> <p><i>Recommendation</i> – It will be apt to consider removal of section 4.3 or else certainly a ring-fence of some nature would be of critical importance if the regulatory sandbox framework is to facilitate innovation.</p> <p>Point 4.5 suggests the company is fully liable for consumer losses in the sandbox. But limited liability and controlled experimentation are key. This can be mitigated by design. Also, there is no overarching financial consumer law in the country, and a data protection legislation is still just being formulated. In the absence of both, fielding obscure regulations without clarity on liability and compensation is dangerous.</p> <p><b>Innovative product/solution should be focus (Reference section 6.2)</b></p> <p>Section 6.2 lists down some of the innovative technology, whereas innovation needn't have to be bound by set of technologies. As long as a product/service/solution solving a key challenge and fulfills the fitment criteria, should be considered. It may or mayn't be developed using Blockchain/AI/ML/Big data etc.</p> <p><i>Recommendation:</i> This should be an indicative list and shouldn't contain innovation among a fixed set of technologies.</p> <p><b>Regulatory requirements/ relaxations (Reference section 6.2)</b></p> <p>Section 6.2 lists certain regulatory requirements that have to be observed by applicants. This list includes data protection regulations, KYC requirements, and 'statutory restrictions. These requirements could induce confusion, and also prevent innovation in areas such as KYC, consent mechanisms, etc. The underlying issue, however, is</p>



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	<p>one which needs to be addressed – how to ensure that basic regulations are followed when products/ services are tested in the RS.</p> <p>Contradiction example - Section 6.1.1. has included Digital KYC as well as Digital Identification Services under innovative products / services to be introduced. However, under section 6.2, there is a clear mention that mandatory requirement would regulatory requirements of KYC. This would destroy the utility of innovation around Digital KYC.</p> <p><i>Recommendations:</i> Replace paragraph 6.2 with a statement reflecting the fact that any regulatory requirement which has NOT been explicitly relaxed as part of the application approval process, is assumed to apply in full. This would ensure that applicants adhere to all general legal and regulatory requirements (including KYC, data protection, information security, etc.) while also not hindering innovation in these fields.</p> <p>Or else recommendation is that there may be a waiver given for Digital KYC cases from regulatory requirement of regular KYC.</p> <p><b>Exclusion from Sandbox Testing (Reference section 6.3)</b></p> <p>Technology and Innovations are fast changing across the globe which has the potential to impact Financial service. In this arena of change, putting a hardbound exclusion in Regulatory Sandbox framework document might not be appropriate.</p> <p>The 'negative list' of products/ services which will not be accepted into the RS includes 'credit registry' and 'credit information'. These are the key areas of innovations in the Indian ecosystem and are enabling financial inclusion/lending to new to credit customers. Innovation in both of these sectors is crucial for the improved penetration of credit in India. While appropriate safeguards could be put in place to ensure that actions within the RS do not have any effect on an individual's real-world credit score or a company's credit</p>

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	<p>rating, these categories should not be blocked from inclusion in the RS.</p> <p><i>Recommendations:</i> Credit registry and Credit information may be removed from the negative list.</p> <p>Or else, the whole negative list can be removed from the framework document, whereas a list can be published before every cohort depending on the changing market needs for innovation.</p> <p><b>Size of cohort (Reference Section 6.4)</b></p> <p>It is mentioned that there would be 10 to 12 startups would be provided access to Sandbox. This is comparatively smaller (UK FCA has ~30 a year on average).</p> <p><i>Recommendation</i> – The total number of startups in RBI regulatory sandbox should target to cover more in proportion to the size of the market and availability of innovative solutions. (Thematic cohorts running in parallel could be apt)</p> <p>Or else, it could be considered as appropriate to replace the idea of thematic cohorts with a rolling application process, and without any limitation as to theme or sector.</p> <p><b>Eligibility thresholds need to be inclusive (Reference to 6.5):</b></p> <p>As mentioned in Section 6.5.1 (a), the eligibility to be included in a sandbox is restricted to start-ups per Department of Industrial Policy and Promotion definition with a minimum net worth of Rs. 50 lakhs. This excludes innovation of a collaborative nature between incumbents and start-ups. Also, innovation struggling to find a market due to its disruptive approach would find access to this sandbox limiting. Unbundling has given way to an ecosystem approach with “bank-as-a-platform” thinking where banks facilitated specialist services to plug in through APIs.</p> <p><i>Recommendations:</i> Reconsider to remove the condition in para 6.5.1(a) requiring the applicant to be a ‘startup’.</p> <p>Or else, there should be a provision for incumbent and/or early stage innovation applications.</p>



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	<p>Section 6.5.1 (e), seeks a "satisfactory" CIBIL or equivalent score of the applicant's promoters/ directors, this stipulation is unduly restrictive. There are other ways in which an entity's (applicant's) risk towards its counterparties and consumers can be secured. One is already hard-wired through net-worth Rs 50 lakh requirement.</p> <p><i>Recommendation:</i> This should be reconsidered as the net-worth Rs 50 lakh requirement is already hard wired.</p> <p>As per Section 6.5.1 (f), the applicant is required to demonstrate that the product is technologically ready to be deployed in the broader market. An applicant would only seek registration in a regulatory sandbox because a current regulation is inhibiting a given product/service from being produced/supplied; (or in a scenario where the regulatory framework is absent altogether given the novelty). Absent regulatory relaxation/ clarity, a start-up would find it very difficult to find venture capital investment. And absent the investment, it would be virtually impossible for a start-up to develop the technology to a stage where it is readily deployable.</p> <p><i>Recommendation:</i> Thus, this condition appears to impose a significant and unfair burden on start-ups and ought to be removed.</p> <p>As mentioned in Section 6.5.1 (g, h &amp; i), fit and proper criteria for the startup from business side is too stringent and will debar most early-stage startups from participating in the sandbox. The expectations from the technology side would be very challenging as it even includes an audit by RBI to check the integrity of the systems. This would reduce the number of startups reaching out to sandbox and will also slow down the process. Typically, audit process and closure take minimum of 3 to 4 months, which will make the end to end process expensive to run. As observed in normal practice, regulated entities like NBFCs go through audit post facto. If IT audit is made compulsory part of the evaluation process, it will create grave challenges in early stage startup community to enter the regulatory sandbox.</p>

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	<p><i>Recommendation:</i> There should be a reduction in fit and proper criteria from the business side. In addition, the IT requirements should be reduced to a basic level including self-declaration by the startup or a light weight evaluation checklist.</p> <p><b>Confidentiality (Reference to Section 9):</b></p> <p>The framework has proposed that the RBI may require the applicant to share PoC results and through the Fintech Technology Unit monitor the empirical results during the testing. The draft offers no clarity about the confidentiality of this data. Alarminglly, the framework proposes that RBI: “reserves the ‘right to publish any relevant information...including for the purposes of knowledge transfer...”</p> <p>Start-ups invest resources to come up with their secret sauce and there are good social reasons for letting them retain confidentiality around their secret sauce. Language, as occurs in the disclosure section, is too wide including especially the knowledge transfer wording. Going through the process of experimentation is costly. The firm entering the sandbox is blazing a trail for others-effectively creating its own competition by demonstrating the viability of a business model. These are tricky issues that need to be finessed and discussed</p> <p><i>Recommendation:</i> As, business risk hasn't been mentioned in the draft. One key risk for businesses entering a sandbox is the leakage of its IP into the public domain. So, some safeguards need to be provided or discussed to make this appealing for businesses. The section ought to be watered down / removed altogether.</p> <p><b>Overarching point of views for consideration</b></p> <p><b>Collaboration with other Regulatory bodies</b></p> <p>The current draft doesn't mention anything about interaction with other Regulatory sandboxes.</p> <p>In section 3.3, RBI has included microinsurance as one of critical areas of innovation, this has no mention in areas of innovations under</p>



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	<p>6.1.1. Although this could be a candidate for IRDA regulatory sandbox, there will be opportunity/need of collaboration.</p> <p><i>Recommendations:</i> Innovations across insurance / wealth management etc. should also be included in the scope sandbox with direct and single window support from RBI / IRDA / SEBI. The Regulatory Sandbox also need to consider how to collaborate with other regulators and other government FinTech Sandboxes. This would strengthen the regulatory influence and boost the innovation in FinTech ecosystem.</p> <p>Also, wherever applicable as an exception, a cross regulator sandbox screening process would provide startups a wider opportunity to be mapped to the right sandbox and leverage the initiative. A joint periodical review of such exception applications by all 3 regulators in an inter-regulatory council would act as a much bigger platform for a startup to present their use case.</p> <p><b>City as a Sandbox:</b></p> <p>The draft has broadly defined the construct of the batches and how the program will be executed. However, it lacked information on how the test environment will be created and how would any relaxed regulations be tested against any hypothesis.</p> <p><i>Recommendations:</i> It will be apt to define a geographical boundary in a city and allow selected startups to showcase results for the presented use case by testing the product within a real homogenous user group living that defined zone. E.g. Mumbai can be considered and prepared for the theme. That should include set of FIs, Merchants, consumers, NGOs etc. who will help defining sample set and driving experimentation.</p> <p><b>Focus on wholistic innovation</b></p> <p>The present draft framework appears to foreground application-level innovation more than innovation on the core financial product/ service. In order to service every segment of India and push forward on financial inclusion, the financial sector needs new types of basic</p>

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	<p>products across insurance, credit, mutual funds, and banking. The purpose of a regulatory sandbox should be to foster innovation across all levels of the financial ecosystem, including the underlying core financial product/ service, licensing architecture and as well as the customer facing distribution channel. This is the mindset through which the sandbox should be architected, and should also guide the decision making when it comes to approving applications to run in the sandbox.</p> <p><b>Collaboration framework with Fintech ecosystem is not clear.</b>  The current draft mentions about the Fintech Unit inside RBI, whereas its not very clear how the collaboration with broader Fintech ecosystem will take place.  Recommendation: There is a need to identify a committee from Fintech / Digital ecosystem to collaborate with Fintech Unit (this could include existing industry/fintech representative entities like FCC, PCI, iSPIRT, Mumbai Fintech Hub etc.). There should be publicly shareable updates as everyone in the industry would be looking for guidance/updates.</p> <p><b>Open to Collaboration with Global Regulatory Sandboxes:</b>  The current draft doesn't include any opportunity for solutions that needs deployment for cross border transactions.  Recommendation: A framework to liaise with Regulatory Sandbox of other countries could broaden innovation experimentation window.</p> <p><b>Reference application/evaluation checklist:</b>  The draft doesn't include any sample application form/ evaluation checklist.  Recommendation: A reference as annexure to a filled application form and indicative checklist for evaluation will help better understanding for applicants.</p> <p><b>Focus on Data Privacy:</b></p>



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	<p>With the current heightened digital environment, there needs be dedicated focus on Data Privacy. The Regulatory Sandbox might get benefitted by running an explicit Data Privacy theme cohort.</p> <p><b>Monitoring/process after Exit:</b></p> <p>At the end of a cohort, when an entity of Regulatory Sandbox exits, what would be monitored or conditions post exit should be mentioned clearly. E.g. the go ahead, change in regulation, product roadmap etc.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>- The FinTech API sandbox may be considered to list Regulatory APIs of (the selective set as appropriate)</li> <li>- Aid the screening and curation process for the RBI regulatory sandbox by leveraging the already existing selection framework from Mumbai Fintech Registry</li> <li>- Entity 55 Accelerator cohort entities can be routed to Regulatory Sandbox for consideration/final evaluation</li> <li>- Entity 55 (collaborative entity with Fintech sector) along with other industry entities [REDACTED] may volunteer to curate innovation listing for inter regulatory council discussions.</li> <li>- Entity 55 (collaborative entity with Fintech sector) along with other industry entities and departments may aid in supporting City as a sandbox theme for Mumbai.</li> </ul>

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56	<p>First of all we would like to congratulate the Reserve Bank of India for coming up with the Draft Regulatory Sandbox(RS) framework for the Indian market. Such a platform would allow companies to test new products/solutions in a live but controlled environment on a small group of users before scaling up. India is one of the fastest growing Fintech markets in the world and this should further drive innovation in the financial space. However, we do see couple of areas in the Draft framework which seem restrictive and are outlined below and would request the Department of Banking Regulation to make these areas less restrictive</p> <p>1) 6.5.1(a) – The draft framework mentions that only start-ups can participate in the RS. While there is a lot of innovation which start-ups have brought to the market in the last few years, it does not mean that companies which have been running for 7 or more years are not innovating. The data explosion all around has happened in the last few years only and so existing companies (&gt; 7 years old) have now got the chance to develop interesting applications using new age technologies based on this data. So, this criterion should be made more broad-based to enhance overall innovation.</p> <p>2) 6.3 – Exclusion from Sandbox Testing : Credit information is mentioned in the negative list. In India, the challenge is that there is a vast majority of unbanked/underbanked people who need credit but are unserved/underserved as financial institutions typically don't cater to them as they are based out of rural/semi-urban areas. We need new age credit appraisal methods leveraging technology which serves this segment and further financial inclusion which is mentioned as one of the indicative innovative areas of RS under 6.1.1. So, we need to have credit information of customers available to build and test models which also employ alternative data like text and images. There should be mechanism in place in the RS to ensure that the customer privacy is not compromised while building such models.</p>



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	Request the department to kindly consider the above two areas for some relaxation.
57	<p>Entity 57 welcomes the opportunity to comment on the <i>Draft Enabling Framework for Regulatory Sandbox (Regulatory Sandbox)</i> published by the Reserve Bank of India's Department of Banking Regulation. Entity 57 and its members wish to commend the Government of India for undertaking an initiative intended to provide a dynamic platform for regulatory reform to promote growth and deepening of the Indian economy. The Regulatory Sandbox contemplated by the Government of India will be critical to attracting further investment and innovation, ensuring current regulation remains targeted and efficient as market segments continue to evolve, and will lead to market integrity and protection of the Indian consumer across the various sectors.</p> <p>The Regulatory Sandbox approach represents a critical step in supporting the facilitation of fintech innovation that allows for experimentation while limiting risks to consumers and the financial ecosystem. To achieve this result, Entity 57 members believe: 1) the scope of the proposed sandbox must be sufficiently broad to permit a diverse set of participants in all stages of development, regardless of whether they are foreign or domestic companies; 2) allow for a diverse set of products and services; and 3) utilize a principle based approach to the Regulatory Sandbox that has a robust and transparent public consultation process.</p> <p>Entity 57 provides the following comments for consideration as the Reserve Bank of India develops the Regulatory Sandbox.</p> <p><b>1. The scope of the Regulatory Sandbox should permit a wider category of firms to participate.</b></p>

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	<p>The RBI's draft framework adopts a highly restrictive approach to determining which entities can participate in the regulatory sandbox. Eligibility is limited to startups, as defined by the Department of Industrial Policy and Promotion (DIPP) guidelines. By permitting only a narrow category of firms to participate, India risks missing out on critically innovative products and services that could be developed by larger players in India's fintech space. <b><i>To foster innovation and promote strategic partnerships, Entity 57 respectfully recommends the RBI widen the ambit of its sandbox to allow participation from traditional players like banks, payment networks, and financial institutions, as well as non-traditional players like fintechs.</i></b> A good example of this concept in action is the United Kingdom Financial Conduct Authority's ("UK FCA") sandbox, which is offered to both incumbents and starts-ups, whether operating independently or in partnership, to help trial innovative products that may not be able to reach the market without the benefit of a sandbox environment. Hong Kong, Malaysia, Abu Dhabi, Singapore, Australia, Thailand, and Bahrain have also allowed traditional players to participate in their respective regulatory sandboxes, alongside fintechs.</p> <p>2. The proposed Regulatory Sandbox should adopt a blue-sky approach that permits a wider range of products accepted for testing than currently contemplated in the draft.</p> <p>The RBI's draft framework includes a list of products, services, and technologies that it will not accept for testing. A regulatory sandbox should ideally adopt a blue-sky approach that helps generate ideas for products and services in the fintech space without limitations on the type of product. To create more innovative and cost-effective solutions, Entity 57 recommends opening participation to any legally sound product, service, or technology that can address an existing gap in the financial ecosystem.</p>



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	<p>To that end, it is also important for regulators to tailor the sandbox experience in a way that makes sense for each firm's business model. Entity 57 respectfully submits that the sandbox facilitators' role is not to create a one-size-fits all approach, but to support firms and enable safe experimentation while still protecting consumers. Successful sandboxes, such the one implemented by the UK FCA, have not provided participants with wholesale exemption from regulation, but rather created a set of regulatory requirements suitable to each participant. This judicious, firm-specific approach ensured that the sandbox was a safe space for consumers as well as participants.</p> <p>3. Regulatory Sandbox requirements should be the same for both domestic and foreign participants.</p> <p>The RBI draft requires entrants to be companies incorporated and registered in India. Restricting participation to local providers will restrain competition and limit the scope of innovative solutions that can benefit from the sandbox, and in turn benefit India. Recognizing that financial innovations can emerge from any source, regardless of its legal structure or its place of incorporation, Entity 57 members respectfully recommend that sandbox requirements must be the same for domestic and foreign participants alike, regardless of whether they are incorporated in India.</p> <p>4. The RBI should enable sandbox entities to succeed in the long-term with support for their exit and transition into the marketplace</p> <p>In order to experience true innovation in the open market and help further India's transformation into a "smart nation," it is important to prepare participating fintechs for long-term success beyond the sandbox. Exit and transition strategies should be clearly defined and practicable. The RBI draft provides sandbox entities the option to apply for an extension of the sandbox period as long as the application is submitted at least one month in advance and with valid reasons for extension. Entity 57 members believe this is the right</p>

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	<p>approach and has met with success in other key markets. The UK FCA, for example, has continued to work with a number of firms that have transitioned out the sandbox to help comply with existing regulations while also working with regulators and standards setting bodies to adapt to these new entrants. Successful sandbox facilitators may also prepare participating firms for long-term success by working with regulators and standards-setting bodies to adapt to these new market entrants. Entity 57 commends this spirit of flexibility in the current draft and encourages the RBI to provide continued support as sandbox entities exit the sandbox environment and navigate successful market entry and sustainability under the supervision of appropriate regulation.</p> <p>5. The RBI should consider creating a Virtual Sandbox to allow for greater innovation in new growth areas</p> <p>The Regulatory Sandbox is intended to provide a dynamic platform for innovation where participants can test their products, make the appropriate adjustments, and ensure that the release of new products does not create risks for consumers or the marketplace. Entity 57 members believe that a virtual sandbox is vital to realizing the full scope of the proposed initiative. A virtual sandbox would allow participants to test their solutions virtually without entering the real market. Such an option would be particularly helpful in situations where a test environment does not exist or in instances where there are significant barriers to entry into the Regulatory Sandbox. As such, Entity 57 respectfully request the RBI consider creating a virtual sandbox for these situations.</p> <p>6. The Regulatory Sandbox should be developed through a principle-based approach.</p> <p>The dynamic nature of the proposed Regulatory Sandbox will be best served by core set of principles to develop the framework as it matures and provides the platform for innovation and development. Alternative, more rigid, or rules-based approaches run the risk of</p>



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	<p>limiting the ability of the framework of the Regulatory Sandbox itself to adapt to the changing innovation ecosystem and limiting the very growth it was intended to promote. Entity 57 respectfully recommends the framework for the RS should be developed through a principle based approach. The RS should adopt: "promoting competition, efficiency and innovation in the fintech industry while protecting cosumer's safety" as its core principle.</p> <p>7. The Regulatory Sandbox should prioritize public consultation and have a robust and transparent process for public input and intelligence.</p> <p>Entity 57 members believe that to ensure transparency in regulatory development process within the Regulatory Sandbox, the RBI should prioritize public consultation. The proposed draft does not sufficiently take into consideration the full scope of benefits that a robust process of public consultation can bring to the development of sound and effective regulations.</p> <p>Globally, other regulators have found the public consultation process a key tool in developing an effective set of reforms. For example in Australia, the PSR Act requires the PSB to conduct public consultations in matters where it proposes the imposition or variation of an access regime or standard. In particular, the PSB is required to publish a notice summarizing the purpose and possible effects of its actions, invite submissions within a specified time, and consider any submissions that are received. Moreover, the PSB is also bound by general notification obligations, which require it to publish notice, and ensure that participants in the payment system are informed of actions involving the imposition or variation of an access regime or standard. Alignment with these global best practices will ensure the proposed Regulatory Sandbox serves regulators with high quality intelligence and input from stakeholders as they make their deliberations. Entity 57 respectfully requests that the Regulatory</p>

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	<p>Sandbox include a robust and transparent public consultation process.</p> <p>8. The scope of the Regulatory Sandbox should be expanded to include testing of new regulatory frameworks.</p> <p>The RBI should consider using the proposed Regulatory Sandbox for not only reactive rule-making, but also for pro-active regulatory reforms. The objectives of the Regulatory Sandbox should not be limited to innovation in regulation for new products, services, or business models in a live environment, but also include the testing of proposed new regulations under consideration for existing products, services, and business models. For example, the Regulatory Sandbox could be used to undertake regulatory impact assessments or cost/benefit analysis for existing services and products to determine how the proposed regulations will ultimately impact the fintech industry. Ultimately, this effort will enable the Regulatory Sandbox to fully realize its potential across the industry and not merely in the innovation space. Entity 57 respectfully requests that the Objectives section of the draft proposal be expanded to include the testing of new regulations proposed by the RBI in a controlled environment.</p> <p>9. The Regulatory Sandbox should provide relaxation and waivers from certain regulations to promote testing of products and services. Lastly, the RBI's draft framework highlights the regulator's inability to provide a waiver from existing regulations to participating entities and expressly disclaims any liability arising from participation in the sandbox experiment. (Section 4.3 – The RBI or its RS cannot provide any legal waivers). It is unclear from the draft framework the reasoning behind the inability to offer a waiver from regulation while participating in the sandbox environment. Since a regulatory sandbox allows an entity to operate in a controlled environment, it is crucial to be able to do so under a waiver from certain existing regulation in order for the entity to test products and services both to fully have the</p>



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	<p>flexibility to innovate without fear of repercussions. Such regulatory relaxations and waivers are the premise of regulatory sandboxes worldwide. While some regulators grant blanket waivers, others permit specific relaxations with regard to identified regulations or through waivers or no-action letters on a case-by-case basis. Entity 57 recommends inclusion of suitable waivers for the participating entities in the regulatory sandbox environment. This approach allows sandbox participants to successfully test their products and services in an environment consistent with the objective of the regulatory sandbox designed to spur innovation in the sector.</p> <p>Entity 57 thanks your for your leadership in this matter, and we stand ready to assist you in any way that may be productive. We look forward to a meeting with you to discuss the matter further.</p>
58	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>At the onset, we thank RBI for supporting young organizations as ours, by allowing us to participate in the proposed regulatory sandbox.</p> <p>While we have initiated the process for registration for the RBI Fintech sandbox, we needed two specific clarifications on the sandbox process.</p> <p>a. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>b. While our lending partners – reputed Banks and NBFC under the Payments &amp; Settlement Act – are offering the line of credit to the retail customer, does the proposed sandbox require the partner lenders to participate in the sandbox solution?</p> <p>We reiterate our enthusiasm to participate in the proposed sandbox process and hope to get some guidance on the above.</p>

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59	<p>Please find enclosed our feedback on the draft paper on Enabling Framework for Regulatory Sandbox.</p> <p>The feedback is being provided on behalf of the following 3 companies, which operate under the brand Entity 59</p> <p>Please let us know in case you require additional information and/or discussions.</p> <p><b>Feedback on The Draft Enabling Framework For Regulatory Studies</b></p> <p><b>Point No. 5. Eligibility Criteria for Participating in the Sandbox</b></p> <p>RBI has prescribed the eligibility criteria for companies to enter in to the sandbox. The condition is that the entity should meet the criteria of a start-up notified by Government of India.</p> <p>Our view is it should be open to all fintech companies rather than restricting it to startup companies defined by Government of India. Lot of fintech companies have developed path-breaking products/technology, which could bring a positive change to the industry/sector. They should not be denied opportunity to participate in the sandbox because of these restrictive criteria.</p> <p><b>Point No. 6.1 Sandbox Cohorts and Product/Services/Technology</b></p> <p><b>6.1.1 Innovative Products/Services</b></p> <p>RBI has suggested a list of innovative product/services and technology which could be considered for testing in the Sandbox. We would like to recommend adding the following two product/services also to the list</p> <ul style="list-style-type: none"> <li>- Digital agreements/Power of Attorney (no physical sign required)</li> <li>- Digital signatures (in all the places where the customer is required to sign)</li> </ul> <p>The future belongs to the digital sector. Hence, along with Digital KYC, the above two services will ensure the entities service customers are locations where it is physically difficult to set up an</p>



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	<p>office and also it will help in reducing the overall transaction cost – both for the customer and to the entities</p> <p><b>6.5 Fit and Proper Criteria for Selection of Participants in RS</b></p> <p>RBI has suggested the eligibility criteria of fintech companies to be selected to be part of Regulatory Sandbox.</p> <p>We feel that the following should only be the fit and proper criteria:</p> <ul style="list-style-type: none"> <li>- The promoter(s)/director(s) of the entity are fit and proper as per the criteria enumerated in Annex I. A declaration and undertaking shall be obtained to this effect as per Annex II.</li> <li>- Applicants should demonstrate that their products/services are technologically ready for deployment in the broader market.</li> <li>- The product/service/technology should be path-breaking and should help in addressing any one of the below objectives: <ul style="list-style-type: none"> <li>- Deepening the market</li> <li>- Reduce transaction cost</li> <li>- Bring in efficiency and transparency</li> <li>- Target more retail clients</li> <li>- Address the gap and/or strengthen/better the existing process</li> <li>- Address existing regulatory gaps</li> </ul> </li> <li>- The entity must demonstrate arrangements to ensure compliance with the existing regulations/laws on consumer data protection and privacy.</li> <li>- There should be adequate safeguards built in its IT systems to ensure that it is protected against unauthorized access, alteration, destruction, disclosure or dissemination of records and data.</li> <li>- The entity should have robust IT infrastructure and managerial resources. The IT systems used for end-to-end sandbox processing will be checked by the RBI to ensure end-to-end integrity of information processing by the entities concerned.</li> </ul> <p>RBI should relax the criteria of minimum net worth as the startup companies might not be able to meet this.</p>

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	<p><b>Point No.7. The Sandbox Process and its Stages in a Regulatory Sandbox</b></p> <p>The total time taken for the whole process to be completed in the Sandbox (from preliminary screening to final evaluation) is around 26 weeks which is on the higher side.</p> <p>Our view is the RBI should look at reducing this timeline to around 12-15 weeks.</p> <p><b>Point No.8. Statutory and Legal Issues</b></p> <p>During the Sandbox process, we may face some legal issues (from customer, etc). In the draft paper RBI has mentioned that the RBI shall bear no liability arising from RS process and any liability arising from the experiment will be borne by the applicant as a sandbox entity.</p> <p>Our view is that this could act as a deterrent for companies to come and participate in the Regulatory Sandbox. We suggest that RBI should extend some support to the companies in handling the legal issues.</p> <p><b>Point No.9. Disclosure</b></p> <p>The draft paper mentions that RBI shall reserve the right to publish any relevant information about the RS applicants on its website, including for the purpose of knowledge transfer and collaboration with other international regulatory agencies.</p> <p>Our view is that some of the process/technology might be innovative and first in the industry. Hence, secrecy to some extent must be assured. Else, companies may be hesitant to participate in the Regulatory Sandbox. Fintech companies might not like their in-house technology to be made public as they will lose their edge in the competition.</p>



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60	<div data-bbox="427 398 1348 600" style="background-color: black; height: 90px; margin-bottom: 10px;"></div> <p data-bbox="427 611 1348 1014">In essence the draft regulations create a sandbox is not very different from other regulatory sandboxes. There are differences in</p> <ol style="list-style-type: none"> <li data-bbox="427 712 1134 768">a. the manner in which the regulations are presented</li> <li data-bbox="427 768 1348 1014">b. specific documents that applicants must provide - I note that the RBI draft regulations spell out in detail certain documents. I suppose this requirement is partly because there will be a larger number of applicants in India and hence stipulating what is required earlier helps with filtering the applicants.</li> <li data-bbox="427 1014 1348 1227">c. The scope of the regulatory sandbox -- I notice that certain Fintech ventures are excluded. I cannot help but say that the exclusion of these ventures is disappointing. In particular I note the exclusion of fintech ventures that deal with crypto currencies.</li> </ol> <p data-bbox="427 1227 802 1272">In my opinion, this exclusion:</p> <ol style="list-style-type: none"> <li data-bbox="427 1283 1329 1373">i. runs counters to the growing trend of cryptocurrencies becoming a new class of assets</li> <li data-bbox="427 1373 1329 1686">ii. regulators would want to be able to understand how fintech ventures interact with cryptocurrencies which are one other form of tokenization. Allowing them in the sandbox would permit regulators to develop finer grain regulations that excluded undesirable behaviour while permitting institutions to work with the new asset class or means of payment</li> <li data-bbox="427 1686 1329 2056">iii. since one key aspect of fintech going forward will be value that blockchain technology will offer, it would stand to reason that all manifestations of blockchain applications ought to be permitted and understood. It stands to reason that applications involving cryptocurrencies, which represents an application that enables not just payment but interoperability across platforms and sectors, should be included in the regulatory sandbox. The Gates Foundation, for</li> </ol>

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	example, has a level one project, Mojaloop, as a digital money solution for the unbanked.
61	<p>We write with reference to your notification dated April 18th 2019 inviting comments on the draft framework.</p> <p>Please find attached hereto the scanned copy of our representation on the framework for your kind consideration. We would also be sending the hard copy by courier.</p> <p>In case of any clarification please feel free to revert to us.</p> <p>This is with reference to the captioned matter. We are hereby writing to provide our inputs / feedback on the "Draft Enabling Framework for Regulatory Sandbox" issued by the Reserve Bank of India ("RBI") vide a Notification dated April 18, 2019.</p> <p>At the outset, we wish to state that the Regulatory Sandbox framework issued by the RBI is the need of the hour for the FinTech Industry, being one of the fastest growing segments in the overall banking and finance industry in India. The rise in technological innovations in the recent past, digitization of the economy and net neutrality together necessitates safer avenues for testing of new products and technologies, faster decision making in terms of the regulatory approvals and most importantly a robust regulatory framework which is encourages and enables innovations in technology.</p> <p>Background – Who are we and our Commitment to Technology and Innovations</p> <p>Entity 61 [REDACTED]</p> <p>[REDACTED]</p>





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	<p data-bbox="432 248 1353 651">introducing Aadhaar based authentication, e-signature, digital  signature etc. when the Supreme Court vide order dated 26th  November, 2018 restricted Aadhaar authentication by various  regulated entities. Since then the company has been exploring  various other technology-based alternatives of conducting customer  verification, KYC, e-signature etc. which not only fulfill the  requirements of the extant regulations but also provide secure, safe  and efficient systems.</p> <p data-bbox="432 667 671 705">Some Suggestions</p> <p data-bbox="432 719 1353 824">Some of our suggestions which the RBI may consider while formalizing the Regulatory Sandbox Framework are as follows:</p> <ol data-bbox="432 824 1353 1787" style="list-style-type: none"> <li data-bbox="432 824 1353 1122">1. Expanding the scope of the "Innovative Products / Services (Para 6.1.1): The definition of the products and services falling within the purview of the regulatory sandbox is fundamental to the framework and hence RBI must expand its scope to include other technology-based products / services, such as, digital onboarding of customers, e-applications, e-sign, etc.</li> <li data-bbox="432 1122 1353 1480">2. Clarity on the Nodal authority / body with RBI to approve / oversee the applications and the testing: The notification in its present form stipulates a FinTech Unit (FTU) within the RBI to be the nodal authority which shall be approving the applications, monitoring and overseeing the testing / products' performance and evaluation. More clarity is required vis-a vie the FTU, its constitution, nodal officers, their governance and other processes.</li> <li data-bbox="432 1480 1353 1787">3. Post Evaluation: Some of the finer requirements / steps as applicable post evaluation / assessment of the testing by FTU require further elaboration. For example, would there be a standardized template within which the FTU shall share the results / outcome including the reasons for the same, specially in case of failure of the testing.</li> </ol>



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	<p>Similarly, in case the assessment is positive, would there be a fast track approval process for "making it live" in the real environment by the applicant.</p> <p>4. Appellate Authority: The RBI must also consider introducing an appellate mechanism, whereby the applicant can appeal against the decision of the FTU. This would not only foster transparency in the decision making process but also impose that any decision/ approval should be done judiciously.</p> <p>5. Timely Decisioning: The mechanism as mentioned under Para 7 and the timelines of the process mentioned therein should be followed by an escalation matrix for any non-adherence of the timelines and also for extension of timelines.</p> <p>6. Regulatory Licenses: As mentioned under point No. 4, the framework should also contain a mechanism/ process for using such approval granted by the FTU for expediting the regulatory licenses.</p> <p>7. Knowledge Sharing: There must be a platform for sharing of the combined knowledge and recommendations for the industry. While the propriety information / innovative idea of an entity must be preserved, however, if there are any generic lessons / recommendations as may be emerging from the Sandbox, which apply to all must be shared with the industry so that the industry as a whole can benefit from the same and use the best technologies available.</p>
62	<p>We thank you for the opportunity to comment on the Draft Enabling Framework for Regulatory Sandbox, and provide herewith our recommendations on the same:</p> <ul style="list-style-type: none"> <li>• Section 5 - Eligibility Criteria for participating in the RS (Regulatory Sandbox) – We recommend that eligibility thresholds should be broadened. Currently, the eligibility is restricted to FinTech firms which meet eligibility conditions prescribed for start-ups by the government. Banks or financial services firms desiring to innovate with own or acquired technology should also be permitted to</li> </ul>

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	<p>participate. There could be innovations of a collaborative nature between incumbents and start-ups. In this regard, we would also like to draw reference to The Office of the Controller of Currency, Washington DC, Innovation Pilot Programme published in April 2019 in which the eligible entities include OCC supervised FI, including those engaging a third party to offer an innovative product, or as a collaborative effort among multiple banks. There is no restriction on size, business model or complexity limitation within the program. There are considerable merits in developing innovative products and financial inclusion in such a model. Hence we recommend that initially sandboxes can include regulated entities including insurance broking, recognised market operators and remittance businesses.</p> <ul style="list-style-type: none"> <li>• Section 6 - Innovations in technology could be in any part Banking / Financial Services including Risk management. We recommend that testing under RS should not be restricted to indicative list and should include innovations with respect to reducing financial or non-financial risk management.</li> <li>• Section 6.2 - List of mandatory requirements, which presumably cannot be relaxed for RS is too big and all-encompassing. We recommend that there should be no such mandatory regulation list. The same can be decided on a case by case basis during the approval process.</li> <li>• Section 6.3 Negative list – should only have “already banned products/services”. Beyond that there should be no negative list. That can be decided on case by case basis. Crypto assets, for example, may undergo regulatory review or re-thinking based on evolving regulatory and tech thinking around the world. It should not there be ruled out ab initio. In the interest of transparency, some “negative merit points” can be assigned to these listed areas, so that applicants are upfront aware of negatively disposed policy stance – but they should still be permitted to present their case so that any ground</li> </ul>



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	<p>breaking innovation is not completely ignored based on predisposed negative views.</p> <ul style="list-style-type: none"> <li>• Section 6.5 Fit &amp; proper – Foreign and domestic banks and financial services firms desiring to innovate with own or acquired technology should also be permitted to participate.</li> <li>• 7.1- In this rapidly changing FinTech scenario, we recommend that the time frame for acceptance under the Regulatory Sandbox should be fastened and processed within a shorter time frame. Further, we believe that regulatory approvals post sandbox testing will be quick and provide for enabling regulatory guidelines for quick launch of products</li> <li>• Confidentiality - We recommend that any case considered under RS should be kept confidential to ensure that innovating firm get exclusive lead time on an idea conceived by them. Otherwise competition will know about it before they are ready to deploy in live production. We suggest that details be kept confidential at least for the RS duration of 6 months. Post that, it could be published – both for approved and rejected cases.</li> </ul>
63	<p>Members of Framework for RS my feedback is in some banking Apps when a customer add a beneficiary there is a cooling period of 2 Hrs. and in many cases 24 Hrs. can banks brought down that cooling period two zero Hour as this is already in some other banking Apps. And second one is that an User ID+Password OPT based login should be for all the nationalized banking Apps because this is most secured way of login into Apps.</p>

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64	<p>I am writing to you to provide feedback on the draft framework for enabling regulatory sandbox. Firstly I would like to state that the draft is really well written and that I have been eagerly awaiting it for many months.</p> <p>My feedback is specifically about the role of the financial service provider and that of data. The Regulatory Sandbox (RS) framework draft starts by defining RS as a partnership between 4 entities - the innovator, the financial service provider, the customer and the regulator. However it falls short of detailing the role of the financial service provider in this mix. Crucially, for some of the use cases, both the customer and the data may be that of the financial service provider, thus it is important to define this aspect further.</p> <p>Some of the questions that the regulator needs to answer are:</p> <ol style="list-style-type: none"> <li>1. Can there be more than one financial service provider in a cohort?</li> <li>2. Can the financial service provider share customer data with the innovator?</li> <li>3. Can the innovator use public data that the financial service provider is able to access (such as credit rating data, or NSDL data) for the duration of the cohort?</li> </ol> <p>Apart from this, I have another point of feedback. Based on my reading of (6.5), it appears to me that the RS is assuming that innovators are only to be found among start-ups. I feel that restricting innovators to the group of start-ups is a needless constraint. I would be happy to meet you and discuss these points in person. I am eager to contribute to the success of RS.</p>
65	<p>With reference to the invitation for public comments as published by the Reserve bank of India, please find attached, for your consideration our comments on the Draft Enabling Framework for Regulatory Sandbox.</p> <p>Please do let us know if you require any clarifications in relation to our attached comments as we would also be happy to meet with you and discuss the same in further detail.</p>



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	<p><b>FEEDBACK ON THE DRAFT ENABLING FRAMEWORK FOR REGULATORY SANDBOX</b></p> <p>With reference to the invitation for comments from stakeholders as published by the Reserve Bank of India, we have set out below for the consideration of the Chief General Manager-in-Charge, Department of Banking Regulation, Reserve Bank of India ("RBI"), our comments on suggested clarifications / amendments to certain provisions of the Draft Enabling Framework for Regulatory Sandbox ("<b>Sandbox Framework</b>").</p> <p><b>(a) Section 6.1 Sandbox Cohorts and Product/ Services/Technology</b></p> <p>It is mentioned in Section 6.1 of the Sandbox Framework that the Regulatory Sandbox ("RS") may run a few cohorts (end-to-end sandbox process) with a limited number of entities in each cohort testing their products in a stipulated period and with the RS being based on thematic cohorts focussing in financial inclusion, payments and lending, digital KYC, etc.</p> <p><b>Comment:</b> By placing a requirement that a cohort would be required to be thematic, it would mean that an entity's ability to participate in the RS to test any of its products/services would be subject to such product/service being a product/service that would be the theme of a cohort as well as there being sufficient space in such cohort for the entity to participate. In the event that an entity's product/service either did not fall within the theme of a cohort or there was no space in such cohort, then it not be possible for the entity in question to participate in the RS. It is therefore submitted that there should be no requirement for a cohort to be thematic.</p> <p><b>(b) Section 6.2 Regulatory Requirements/Relaxations for Sandbox Applicant</b></p> <p>It is mentioned in Section 6.2 of the Sandbox Framework that on the regulatory requirements that would be mandatorily maintained by applicants would be KYC/AML/CFT requirements.</p>

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	<p><b>Comment:</b> It may be considered clarifying that where the product/service to be tested in the RS is relation to Digital KYC and/or its implementation, then the KYC requirements may be met through the Digital KYC product/service proposed to be tested in the RS. In the event that such a clarification was not provided, what may happen is that in addition to the requirements of the Digital KYC product/service being tested by the entity in question, it would also be necessary for such entity to also separately ensure that existing KYC requirements were met by undertaking KYC by traditional methods thereby losing the purpose of testing the Digital KYC product/service in the RS.</p> <p><b>(c) Section 6.3 Exclusion from Sandbox Testing</b></p> <p>(i) It is mentioned in Section 6.3 of the Regulatory Sandbox that entities may not be suitable for the RS is the proposed financial service is similar to those already being offered in India unless the applicants can show that either a different technology is being gainfully applied or the same technology is being applied in a more efficient and effective manner.</p> <p><b>Comment:</b> It is submitted that one of the primary purposes of the RS is to test underlying technology for a proposed product/service to see whether such technology would be effective in real world conditions. It would therefore be difficult to determine before participating in the RS that such technology has been previously gainfully applied. As an alternative, what may be considered by the RBI is stipulating that where any entity proposes to use any new underlying technology for any product/service to be tested in the RS, such entity would be required to provide failure parameters for such technology (e.g. parameters stating the new underlying technology would be deemed to have failed in the event certain disclosed benchmarks are not met).</p> <p>(ii) Section 6.3 of the Regulatory Sandbox has provided an indicative negative list of products/services/technology which may not be accepted for testing including Credit information.</p>



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	<p><b>Comment:</b> It is submitted that credit information should not be in the negative list as there could be significant innovation in this space especially for unbanked sectors where financial inclusion measures are urgently required.</p> <p><b>(d) Section 6.5 Fit and Proper Criteria for Selection of Participants in RS</b></p> <p>(i) Section 6.5.1 of the Sandbox Framework specifies certain conditions required to be satisfied by entities to be eligible for selection to participate in the RS. These conditions include:</p> <p>(1) Section 6.5.1(a) which stipulates that the entity should be a company incorporated and registered in India and shall meet the criteria of a start-up as per Government of India DIPP Notification No. G.S.R. 364E dated April 11, 2018 ("<b>Start Up Criteria</b>").</p> <p><b>Comment:</b> It is submitted that by requiring that by limiting the ability to entities meeting the criteria of a start-up as per the Start Up Criteria, banking companies/non-banking financial companies/other companies would not be permitted to participate in the RS even if such companies would be otherwise be developing innovative fintech products/services. This may lead to a situation whereby entities that did not meet the Start Up Criteria would be excluded from participating in the RS even if such entities were developing innovative products/services. The RBI may therefore consider removing the condition that the entity would be required to meet the Start Up Criteria. The added advantage to having more established companies (whether they are banking companies or non-banking financial companies or other companies) participate in the RS is that such companies would typically have a greater financial ability to withstand failures of products/services being tested in the RS.</p> <p>(2) Section 6.5.1(f) which stipulates that applicants should demonstrate that their products/services are technologically ready for deployment in the broader market.</p>

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	<p><b>Comment:</b> It is submitted that one of the features of the RS is to demonstrate whether a product/service using innovative technology would be capable of operating in the real world and if not, to discover the flaws or limitations of such innovative technology. It is therefore suggested that instead the RBI stipulate that where any entity proposes to use any technology for a product./service to be trailed in the RS and such technology has not been previously successfully deployed in the real world, then the entity in question would as part of its application to the RBI highlight the same as well as provide details on what would be considered to be a successful trial of such technology.</p> <p>(ii) Section 6.5.4 of the Regulatory Framework provides that the test scenarios and expected outcomes of the sandbox experimentation should be clearly defined and the sandbox entity should report to the RBI on the test progress on an agreed schedule.</p> <p><b>Comment:</b> It is submitted that any entity submitting an application to participate in the RS may highlight what would be the criteria for failure of the product/service being tested. In such an event the RBI would then be able to discontinue testing of a product/service in the RS if such failure criteria were met. This is being suggested as an alternative to instead stipulating the terms for a successful testing of a product/service in the RS as at times it may not be possible to accurately determine upfront what would be the parameters of a successful test but it should be possible in such an event to determine upfront which factors would be deemed to cause a failure of the test.</p> <p><b>(e) Section 6.6 Extending or Exiting the Sandbox</b></p> <p>Section 6.6 of the Regulatory Framework grants the power to the RBI to discontinue sandbox testing at any time at the RBI's discretion if the entity does not achieve its intended purpose, based on the latest test scenarios, expected outcomes and schedule mutually agreed by the sandbox entity with the RBI.</p>



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	<p><b>Comment:</b> It may be considered whether it would be better to require applicant entities to detail failure criteria which if met would provide the RBI with the power to discontinue sandbox testing for an entity, please see our comments in paragraph (d)(ii) above to Section 6.5.4 of the Regulatory Framework.</p> <p><b>(f) Section 6.7 Boundary conditions</b></p> <p>Section 6.7 of the Regulatory Framework details certain boundary conditions for the RS. In this regard the RBI may consider requiring that the criteria for failure of a test be stipulated upfront by an applicant.</p> <p><b>Comment:</b> Please see our comments in paragraph (d)(ii) above to Section 6.5.4 of the Regulatory Framework.</p> <p><b>(g) Section 7.2.4 Testing (12 weeks) read with Section 7.2.5 Evaluation (4 weeks)</b></p> <p>Section 7.2.4 of the Regulatory Framework prescribes that the testing phase of a product/innovation would last for a maximum period of 12 weeks and that the FTU would generate empirical evidence to assess the tests by close monitoring. Section 7.2.5 provides that the Evaluation phase may last for 4 weeks. Further the final outcome of the testing of products/services/technology as per the expected parameters including viability/acceptability under the RS shall be confirmed by the RBI. The FTU shall assess the outcome reports on the test and decide on whether the product/service is viable and acceptable under the RS.</p> <p><b>Comment:</b> It is submitted that the purpose of the RS is to provide a space for testing of an innovative product/service in the real world. Therefore it may be considered that once the FTU has vetted the test designs and proposed regulatory modifications, if any as required under Section 7.2.3 of the Regulatory Framework, then the product/service should thereafter be eligible for participation in the RS. Further where the innovative product/service being tested contains proprietary technology, there may be a reluctance on the</p>

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	<p>part of applicants to divulge the technology to the FTU for the purposes of monitoring the tests as well as the outcomes of the tests.</p> <p><b>(h) Section 8 Statutory and Legal Issues</b></p> <p>(i) Section 8.1 of the Regulatory Framework mentions that the RBI would provide the appropriate regulatory support by relaxing specific regulatory requirements (which the sandbox entity will otherwise be subject to), where necessary, for the duration of the RS.</p> <p><b>Comment:</b> It would appear that the regulatory support being provided by the RBI would be limited only to matters for which the RBI would have jurisdiction. It may be considered that to make the RS fully effective as a testing ground, a single window regulatory clearance system may be implemented whereby an application could be made to the RBI for regulatory relaxation/consent by an applicant entity which would then be forwarded to any other concerned regulator (such as SEBI) with the applicant entity only being entitled to test its product/service in the RS once all regulatory relaxations/consents have been granted by all regulators having jurisdiction.</p> <p>(ii) Section 8.2 of the Regulatory Framework provides that upon successful experimentation and on exiting the RS, the sandbox entity must fully comply with the relevant regulatory requirements.</p> <p><b>Comment:</b> Depending on the evaluation of the product/service in question, the RBI may consider, at its discretion, thereafter relaxing the regulatory requirements in respect of such approved product/service after it has exited the RS.</p> <p><b>(i) Section 9 Disclosure</b></p> <p>Section 9 of the Regulatory Framework stipulates that the RBI has reserved the right to publish any relevant information about the RS applicants on its website, including for the purpose of knowledge transfer and collaboration with other international regulatory agencies.</p> <p><b>Comment:</b> The RBI may consider limiting the publication of information about RS applicants to non-confidential information and</p>



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	<p>should not publish any confidential or proprietary information gathered during the test on its website. The absence of such protection may discourage applicants from participating in the RS.</p> <p>We strongly believe that addressing the above, would increase the effectiveness of the regulatory sandbox and thereby increase the speed of innovation in the country.</p> <p>Please do let us know if you require any clarifications in relation to the above.</p>
66	<p>We have taken note of the Reserve Bank of India's invitation to the public to submit comments on the draft Enabling Framework for Regulatory Sandbox ("Draft Framework").</p> <p>Please find attached Entity 66 comments and suggestions on the Draft Framework. We hope the RBI finds our comments useful.</p> <p>Please feel free to reach out to us should you require any clarifications.</p> <p><b>Draft Enabling Framework for Regulatory Sandbox: Comments &amp; Feedback</b></p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>1.2. With this submission, Entity 66 would like to respond to the Reserve Bank of India's ("RBI") invitation to comment on the draft</p>

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	<p>Enabling Framework for Regulatory Sandbox ("<b>Draft Framework</b>") published on April 18, 2019. JSA is grateful for this opportunity to put forth its views and comments.</p> <p><b>2. Eligibility to Participate</b> 2.1. The Draft Framework restricts participation in the regulatory sandbox ("<b>RS</b>") to start-up entities. This implies that several important stakeholders in the Indian fintech ecosystem, including banks, non-banking finance companies (NBFCs) and multinational technology companies would be excluded from participation. In our view, the exclusion of these stakeholders would be a mistake. These stakeholders play a vital role in promoting innovation and financial inclusion. Because of their expertise, experience and data, these entities also have the most potential to develop new financial products and technologies. Keeping in mind the RBI's objectives of promoting efficiency, innovation and financial inclusion, we believe that entities such as licensed banks, NBFCs, licensed payment service providers and multinational technology companies should be permitted to participate in the RS.</p> <p>2.2. The Draft Framework requires an entity to have a minimum net worth of INR 50,00,000 (Indian Rupees Fifty Lakh) to be a participant in the RS. In our view, this requirement is unnecessary and onerous. As the RBI proposes to conduct a scrutiny on the antecedents of each applicant entity and its promoters and directors, we believe that the said minimum net worth requirement may be dispensed with. This acts as a needless entry barrier, and may prevent several promising candidates from applying to participate in the RS. Hence, we believe that the RBI should do away with the proposed minimum net worth requirement for participation in the RS.</p> <p><b>3. Selection Committee</b> 3.1. As per the Draft Framework, an entity would only be eligible to participate in the RS if (a) it proposes to launch a new financial service; or (b) it proposes to use a new technology or innovation gainfully to offer an existing service; or (c) it proposes to use existing technology in a new and more efficient</p>



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	<p>manner to offer an existing service. This being the case, we recommend that the RBI constitute a selection committee to determine whether an applicant meets the abovementioned eligibility criteria ("<b>Selection Committee</b>"). In addition to RBI officials, this Selection Committee should have representatives from the Indian fintech community. These representatives may include reputed fintech innovators, thought leaders, technologists and academicians. These individuals could work with RBI officials to scrutinise applications and analyse the underlying technology of proposed financial products or services.</p> <p><b>4. Legal Waivers</b> 4.1. As per Paragraph 4.3 of the Draft Framework, the RBI has clarified that the RBI cannot provide any legal waivers to participants of the RS. We believe that the RBI should elaborate on this limitation and explain what these waivers entail. The scope for relaxation of or exemption from legal requirements and compliances is one of the most important attributes of a regulatory sandbox. It is what makes the sandbox structure most appealing to participants. This being the case, we believe the RBI should elaborate on the scope of the legal waivers referred to in Paragraph 4.3 of the Draft Framework.</p> <p><b>5. Focus on Informal Guidance</b> 5.1. One of the key features of regulatory sandboxes around the world is the availability of informal regulatory guidance for participants. For instance, in Australia, the Australian Securities and Investments Commission ("<b>ASIC</b>") offers informal guidance to help new businesses consider the important regulatory issues applicable to their products/services. This guidance usually minimises the time and costs of applying for regulatory licenses. We recommend that the RBI implement a similar mechanism for informal and ad-hoc regulatory guidance as part of the RS. Participants should be allotted nodal officers or points of contact within the RBI and should be allowed to schedule meetings with these officials to obtain guidance and clarifications. This</p>

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	<p>guidance should also be available before and during the RS application process.</p> <p><b>6. Financial Services Ombudsman and Compensation Scheme</b></p> <p>6.1. We note that the RS does not have robust mechanisms to protect customers of participants. With this risk in mind, we believe that the RBI could consider establishing a specialized ombudsman service and compensation scheme for customers of RS participants. Reference may be made to the Financial Ombudsman Service ("FOS") and the Financial Services Compensation Scheme ("FSCS") established in the UK. The Financial Conduct Authority ("FCA") in the United Kingdom has allowed customers to avail services and benefits of the FOS and FSCS to protect them when financial products or services of sandbox participants malfunction and cause losses. The FSCS is a deposit insurance and investor compensation scheme for customers of authorised financial service firms. The FSCS is empowered to pay compensation to an aggrieved customer if a firm is unable or unlikely to. Similar mechanisms could be put in place by the RBI as measures to safeguard the interests of Indian customers.</p>
67	<p>I am very happy release the above mentioned guidelines after 3 Years (2016). but rbi support the captlists.</p> <p>1.respect the Indian constitution, Indian Laws. 2 .rbi have the DPSS ACT 2007.3 rbi technical Committee report of mobile banking in2014 selected four(4)ways for fintech services,(a) STK(b)iot or apps(c)sms(d)ussd.amend the6.1.2 add four ways fintech innovative ideas not existing.</p> <p>3.rbi only based on &amp;support online very unfortunate.</p> <p>4.rbi first support &amp;give New IAS</p> <p>5.intellectual ideas not interduce in public.</p> <p>6.para 6.5.1 entire conditions against rbi WG committee report.</p> <p>Sir I submit full comments,suggestions 8th may2019.</p> <p>7.published draft guidelines No right to the Department of banking regulation .</p>



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	8. only having authority DPSS Department.
68	<p>Hope this email finds you well.</p> <p>We are one of the leading Fintech organisations in the country, and pleased to have come across the draft guidelines for stakeholders comments. Before we go ahead and provide our feedback on the draft, we would be humbled if our query pertaining to the application process is addressed.</p> <p>We would like to know, before the draft guidelines are implemented or during the stage of its finalisation, is there any provision for a Fintech entity to participate or be accepted in the Regulatory Sandbox? Or if the selection process is to commence what may be the tentative times lines of commencement?</p> <p>Many thanks in advance for your assistance. Looking forward to hearing from you.</p>
69	<p>This communication is in reference to circular dated 18 April 2019 related to RBI Regulatory Sandbox. We at entity 69 are excited and would like to appreciate your initiative of RBI Regulatory Sandbox (RS).</p> <p>Entity 69 has extensive experience of working Credit Bureaus, data bureau and Banks globally. We are looking at RS initiative as a major step towards better regulation and standardization opportunity. We would like to understand few more finer points either through final circular or any other platform RBI might be planning to use to engage with interested parties:</p> <ul style="list-style-type: none"> <li>• Can RS sandbox be utilized for complete market ready product testing or can the goal is to run only prototypes to continue to build product based on feedback from customers.</li> <li>• Any guidelines around cost structure would be helpful for budgetary planning to participate in the initiative.</li> <li>• One of the major aspect of the initiative is on boarding of customers which will help participant to work with actual data. We would like to</li> </ul>

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	<p>understand if RBI is planning to facilitate on-boarding users for test phase, if yes some insight into the process would help.</p> <ul style="list-style-type: none"> <li>• We suggest a preparation phase prior to RS sandbox testing would help to utilize the test period more effectively. Preparation phase can be 3-6 months based on size of the project.</li> <li>• Can participant company build virtual sandbox and obtain RBI RS status, if yes what are the guidelines to do so.</li> <li>• Can a product company obtain industry specific regulation waivers to test a product e.g. A credit bureau product company would not have required license to run credit bureau, so can the company get regulatory waiver to work with actual users, how would such legal framework look like.</li> <li>• On successful completion of RS testing, will product/ company get any formal RBI accreditation and can that be used in marketing communication by the participant company.</li> </ul> <p>We will be glad to answer any clarification required for above points. A face to face meeting might also help to elaborate on some of the points above. We are looking forward to engage with you on this initiative.</p>



